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Habib, Lebanese Meet on New PLO Exit Plan

Sharply Worded Reagan Message Reportedly Is Delivered to Begin



In a speech to Jewish fund-raisers in Jerusalem, Prime Minister Menachem Begin of Israel called further Palestinian Liberation Organization presence in Lebanon "out of the question."

Sharon's Bold Moves Stir Cabinet Concern

By William Claiborne
Washington Post Service

JERUSALEM — There is growing anxiety among some Israeli Cabinet ministers that they are losing control of military operations in Beirut and that Defense Minister Ariel Sharon is suppressing the government's role in the city.

At a meeting of the cabinet on Wednesday, the Israeli government was divided over the issue of whether to allow Sharon to continue his military operations in Beirut, or to demand that he withdraw his forces from the city.

Sharon, who has been in Beirut since the Israeli invasion of Lebanon in 1982, has been accused of suppressing the role of the government in the city. He has been accused of using force to suppress dissent and of using force to suppress the role of the government in the city.

The cabinet meeting was held in the wake of a speech by Sharon to Jewish fund-raisers in Jerusalem, in which he called for the continued presence of the PLO in Lebanon. This speech was widely seen as a challenge to the government's position on the PLO.

Some ministers are reported to be confused because Sharon's speech was so strongly worded. They are reported to be confused because Sharon's speech was so strongly worded. They are reported to be confused because Sharon's speech was so strongly worded.

Compiled by Our Staff From Dispatches

JERUSALEM — President Reagan has sent Prime Minister Menachem Begin a sharp message demanding an immediate end to hostilities in the Lebanese capital, the Israeli press has reported. The reports said the message used "very unpleasant terms."

While there were reports that Israel appeared to be heading for a collision with its closest ally, the Cabinet met in special session Thursday night after Foreign Minister Yitzhak Shamir said publicly that President Reagan had not threatened Israel with reprisals because of the Israeli activity in Beirut.

Mr. Shamir, speaking after his return from talks in Washington, said the tone of the letter Mr. Reagan sent Prime Minister Menachem Begin on Wednesday was "vigorous" but did not contain "threatening language."

Mr. Shamir said that the possibility of U.S. sanctions against Israel if there was a final assault on Beirut did not come up in his talks in Washington.

In Washington, Julius Berman, a Jewish leader in the United States, said Secretary of State George P. Shultz, Vice President Bush and Defense Secretary Caspar W. Weinberger, said at a meeting of Jewish leaders that the Reagan administration had not considered sanctions against Israel.

The White House press secretary, Larry M. Speakes, declined to confirm the report, saying the meeting was "off the record."

Another report in Israel spoke of a stormy meeting Wednesday night between Defense Minister Ariel Sharon, the architect of the invasion, and William Brown, the U.S. chargé d'affaires.

The Israeli Cabinet met Thursday night for a report from Mr. Sharon. The Cabinet also discussed Israel's reaction to a UN Security Council call for the stationing of international cease-fire observers in Beirut.

U.S. sources said Washington was angered by the report from Mr. Sharon. The Cabinet also discussed Israel's reaction to a UN Security Council call for the stationing of international cease-fire observers in Beirut.

The fighting has not deterred the negotiations but has certainly slowed down the diplomatic process, a U.S. diplomat said.

Israeli radio said that Mr. Sharon, during a meeting with the U.S. chargé d'affaires, accused Mr. Habib and the U.S. ambassador to Lebanon, Robert S. Dillon, of exaggerating the scale of Israeli assaults on Beirut. The meeting took place soon after Mr. Reagan's letter was delivered to Mr. Begin.



An Israeli soldier falls after being hit by PLO sniper fire. The two soldiers were engaged Wednesday at the Galerie Samman Crossing of the Green Line, which divides East and West Beirut.

Reagan, Fearful of Begin Backlash, Hasn't Found Way to Restrain Him

By Hedrick Smith
New York Times Service

WASHINGTON — The sharp Israeli thrust into West Beirut, coming so quickly after President Reagan's blunt warnings to Israel to uphold the cease-fire in Lebanon, underscores Mr. Reagan's frustrating failure for more than a year to find a way to restrain Israeli military actions.

High officials say the president and his advisers were particularly disturbed that the Israeli assault came at the very moment that Philip C. Habib, the special envoy, felt he was on the verge of striking a deal for evacuation of Palestinian guerrillas from Beirut.

Some of the president's advisers were fearful that the Israeli assault, perhaps Defense Minister Ariel Sharon operating independently, might be deliberately undercutting the Habib mission.

The president's problem is that he needs strong leverage to force Prime Minister Menachem Begin into realizing the political costs of an all-out assault on Beirut without offending the sensitivities of the Israeli leader that he would give the final go-ahead.

The most obvious leverage, officials acknowledge, is to hold up the flow of arms to Israel, and the president and his advisers are once again considering such sanctions to drive home Washington's anger and alarm. But Mr. Reagan's experience with sanctions has not been satisfying.

Twice last year, he suspended deliveries of jet planes to Israel, once after Israeli air raids on an Iraqi nuclear reactor and once after raids on Palestinian areas around Beirut. But he lifted the suspensions so quickly that his show of toughness did not become a real deterrent to Mr. Begin.

Even before the latest outburst, the administration had suspended shipment of cluster munitions to Israel and had delayed the required formal notification to Congress of a scheduled sale of 75 F-16 jet aircraft starting in 1985. But otherwise, the regular arms flow has continued.

In the heat of crisis, senior officials fear, a new hall of arms ship suspensions so quickly that his show of toughness did not become a real deterrent to Mr. Begin.

There should be no question in Mr. Begin's mind about how seriously we view this whole matter," an official said.

In an election year especially, any U.S. administration finds it politically excruciating to take strong measures against Israel. Even members of Congress who privately call the latest Israeli actions "devastating" to Israel's image and U.S. interests in the Middle East are reluctant to advocate sanctions publicly.

Some congressional critics, such as Sen. John Glenn, Democrat of Ohio, contend that Mr. Reagan's problems with the Israeli leaders today stem from his failure to take tough, clear-cut positions on the acceptable use of U.S. arms with Mr. Begin in their meetings in September and June.

Some Middle East specialists suggest that the mild U.S. reaction to the Israeli annexation of the Golan Heights last December and lack of forceful action during the earlier phases of the Israeli invasion of Lebanon also undercut the force and credibility of Mr. Reagan's recent protests.

"We were not as tough on them as we wanted them to think we were — not as good a friend as they wanted us to be," said William B. Quandt, a Middle East specialist who served on the national security staff of President Jimmy Carter. "So they came into this year not taking us very seriously. And on Lebanon, once the Israeli withdrawal from Sinai was completed last April, they felt that if they did not actually have a green light from us, they had a yellow light, not a red one."

Moreover, high officials say the president and his advisers believe that Washington's most powerful leverage is "our relationship" to Israel.

Thus, for the moment, the president has chosen to rely on what is described as a very stern personal message to Mr. Begin to halt the fighting right away, with the warning that further "unnecessary bloodshed" might put the relationship between the two countries in "jeopardy."

Mr. Reagan's message, well-placed officials said, did not specifically threaten sanctions against Israel, but it was said to have been forcefully blunter than the president's public statement, which asserted the "absolute necessity of reestablishing and maintaining a strict cease-fire in place."

Thousands Flee in Lull In Siege of West Beirut

Compiled by Our Staff From Dispatches

BEIRUT — The U.S. special envoy in the Middle East and Lebanese politicians met Thursday to discuss a new PLO proposal to evacuate West Beirut, as thousands of residents fled to East Beirut during a lull in fighting.

High-ranking Lebanese government sources said the plan would allow the 6,000 to 8,000 guerrilla fighters to leave Lebanon within 15 days by sea.

Philip C. Habib, the envoy, discussed the Palestine Liberation Organization plan with President Elias Sarkis and other Lebanese intermediaries Thursday but there was no formal word of what it contained.

But the sources said that the main concessions by the PLO are to cut the length of time in which it would evacuate Lebanon, from 21 to 15 days, and its agreement to leave by sea rather than overland.

Israeli forces opened up a single crossing Thursday between the two sectors of the capital to allow thousands of residents to flee their battered homes in the west of the city. The Israelis had moved tanks Wednesday across the Green Line, which separates Moslem West Beirut and Christian East Beirut. The PLO is ensconced in West Beirut.

Sources had said earlier that the PLO renewed its offer to leave simultaneously with the deployment of a multinational force in which French troops would be first brought in to Lebanon, followed several days later by American, Greek and Italian armed forces.

Some shelling and small arms fire continued Thursday, but at a level far below the devastating barrage Wednesday. Few streets in West Beirut were untouched by the assault.

In Washington, the Reagan administration called on Israel to surrender the military gains won in its recent assaults on West Beirut and to retreat to the cease-fire line that had been in place Sunday. The appeal appeared to represent a shift in administration policy announced Wednesday, under which the Israelis were called on to maintain a "strict cease-fire in place."

Defense Secretary Caspar W. Weinberger said Thursday he was optimistic that Mr. Habib would succeed in his renewed attempts to secure a PLO evacuation.

Mr. Habib consulted the Reagan administration before seeking Israel's response to the PLO blueprint, which proposes to begin regrouping in staging areas the day a French contingent of a multinational force arrives in West Beirut, according to the broadcast.

Mr. Habib discussed the PLO plan in a one-hour meeting at midday with Mr. Sarkis and Foreign Minister Fuad Boutros in Baabda, east of Beirut.

PLO spokesman Bassam Abu Sharif reiterated in a news conference the PLO's readiness to abandon Beirut, but he accused Israel of reinforcing its positions on the entrance to the capital's Moslem sector for what appeared to be a final assault into the city Wednesday.

The PLO handed the blueprint to Premier Shafiq al-Wazzani, a Moslem, in West Beirut Tuesday night, and he relayed it to Mr. Habib and Mr. Sarkis by telephone.

The diplomatic efforts had been hampered Wednesday by a sudden upsurge in violence as Israeli tanks, airplanes and artillery attacked West Beirut. The state-run Beirut Radio reported that more than 300 Lebanese and Palestinians had been killed or wounded in the fighting.

Mr. Wazzani, who lives in West Beirut, met Hani al-Hassan, political adviser to PLO chairman Yasser Arafat and the Palestinians' chief negotiator.

Beirut Radio said their discussions concentrated on Mr. Habib's newest proposals. The Palestinians and their leftist and Moslem allies said an international peacekeeping force should arrive before the PLO departure to stop the Israelis and the rightist Lebanese Phalangists from entering the city.

UN Secretary-General Javier Pérez de Cuellar reported no progress Thursday in his efforts to gain an Israeli response to the latest Security Council call for a pullback of Israeli troops to their position as of Sunday.

He said Mr. Arafat had told him, "The Palestine Liberation Organization will continue to respect and remain committed to the cease-fire."

The Israeli Cabinet met Thursday amid speculation it would reject the resolution.

The United Arab Emirates agreed Thursday to a call from the Arab League for an emergency Arab summit on Lebanon next week, the official Emirates news agency reported in Abu Dhabi.

It said the league headquarters in Tunis had asked for the meeting of the 22 members. Northern and Southern Yemen had called for the meeting after talks with King Fahd of Saudi Arabia and President Hafez al-Assad of Syria and contacts with other Arab leaders this week.

Lebanon's internal security forces said at least 250 persons had been killed and 670 wounded in the Israeli attack on West Beirut Wednesday. Many of the injured were expected to die from burns from phosphorous bombs, doctors said.

Israeli and Palestinian forces consolidated their positions around the front line near the airport and the Green Line and at the Museum and the Galerie Samman crossings, reporters in West Beirut said.

"The sporadic shelling and exchanges of gunfire that began at dawn dwindled as the day wore on. Men, women and children took advantage of the lull to swarm by the thousands across to the relative safety of East Beirut."

Military Moving Closer To Control in Panama

By Alan Riding
New York Times Service

PANAMA — A year after the death of Panama's longtime leader, Brig. Gen. Omar Torrijos, the National Guard has moved closer to direct rule of the country after apparently deposing President Aristides Royo.

Mr. Royo, who was named president by Gen. Torrijos in 1978, resigned last Friday, citing health reasons, under pressure from the National Guard and was succeeded by Vice President Ricardo de la Espriella.

The removal of President Royo, which was the subject of speculation even before Gen. Torrijos died in a plane crash on July 31 of last year, nevertheless appears to have been generally welcomed. His relations with the National Guard's general staff were never good, and he was also widely blamed for an economic crisis, severe corruption scandals and a recent 31-day strike by the country's teachers.

In a statement, five opposition parties strongly criticized the closing of the country's newspapers but welcomed Gen. Paredes' call for constitutional changes in the constitution, the naming of an new electoral tribunal and the arrest or dismissal of public officials responsible for corruption.

Officials here believe that the Reagan administration, which openly disapproved of Mr. Royo's leftist foreign policy, was pleased by the shake-up. Only last week, during a visit to Venezuela, Mr. Royo renewed his call for creation of a regional organization that would exclude the United States.

In the meantime, top officers of the National Guard, Panama's only armed force, are expected to play a greater role in day-to-day government, although Mr. de la Espriella's new Cabinet, announced Tuesday, is made up entirely of civilians. Jorge Illueca, the acting vice president, was confirmed as foreign minister.

"The responsibility of everything that happens now will fall directly on the national guard," said Luis Martínez, publisher of the opposition daily, Ya. "They've taken charge. They've taken off their masks."

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Ricardo de la Espriella

Annual OAU Summit Fails to Open For First Time in Group's History

By Michael Goldsmith
The Associated Press

TRIPOLI, Libya — The 19th annual summit conference of the Organization of African Unity failed to open as scheduled Thursday, despite the presence of 17 African chiefs of state or heads of government.

For the first time since the organization was founded in 1963, the annual gathering of Africa's leaders was unable to assemble the two-thirds quorum required under the OAU charter.

Nineteen of the 50 member states were boycotting the summit to protest the admission of the Polisario movement in the Moroccan-annexed Western Sahara as a full member.

Those who came to the summit held an unofficial private meeting to discuss how to resolve the deadlock. Delegation sources said some leaders urged a simple postponement of the summit, while the Libyan leader, Col. Moamer Qadhafi, and others wanted to go ahead despite the lack of quorum.

Conference sources said that if a quorum were unattainable, the heads of state and government present would probably assess the possibility of holding the summit later, possibly before the end of the year, Reuters reported from Tripoli.

But the sources added that such a meeting might be difficult to arrange, because several international meetings are scheduled through the end of the year. These include the United Nations General Assembly session, the summit next month of nonaligned nations and a French-African summit in October in Kinshasa, Zaire.

OAU spokesmen said they did not have a precise count of the delegations in Tripoli. The quorum is 34 delegations, not necessarily chiefs of state. But to ensure the unquestioned legality of a summit, a controversial delegation from Chad and the Polisario itself cannot be counted as part of the quorum.

A 12-day effort to open a preparatory ministerial meeting to draft a summit agenda has been unable to assemble more than 29 delegations.

Those leaders who came to the Libyan capital included most of Africa's hard-line presidents who have long maintained close friendly relations with Col. Qadhafi. If the summit had opened as scheduled, Col. Qadhafi would have automatically been elected chairman of the organization for the next 12 months.

Libya's state-run press went out of its way to ignore or play down the crisis. A special daily newspaper printed for the summit proclaimed in a banner headline, "African Summit Opens."

Qadhafi Blames U.S.

The paper quoted Col. Qadhafi as describing the summit as "a turning point in the history of modern Africa" and blaming the boycott on "dirty and filthy barbed planning [by] the American administration."

In a speech earlier in the week, Col. Qadhafi accused the United States of bribing some African leaders to stay away.

There were indications that Col. Qadhafi, in his eagerness to become OAU chairman, was turning against the Polisario, which he has recognized and helped to arm, train and finance since 1975.

The Polisario flag was removed from some places, and the Polisario's self-proclaimed Sahara Arab Democratic Republic was eliminated from a map of Africa printed in the summit newspaper.

The leaders in Tripoli for the summit included Benjedid Chadli of Algeria, Mathieu Kérékou of Benin, Denis Sassou Nguesso of the Congo, Mengistu Haile Mariam of Ethiopia, Jerry Rawlings of Ghana, Didier Ratsiraka of Madagascar, Aeneas Jaganath of Mauritius, France-Albert René of the Seychelles, Julius Nyerere of Tanzania, Kenneth Kaunda of Zambia and Robert Mugabe of Zimbabwe.

Goukouni in Tripoli

Goukouni Oueddei of Chad, head of the defeated faction in the civil war in Chad, was also in Tripoli.

The outgoing chairman, Daniel Arap Moi of Kenya, announced in Nairobi that he would come to Tripoli to give the chairmanship to Col. Qadhafi if a quorum was assembled.

Boycotting countries were Cameroon, Ivory Coast, Comoros, Djibouti, Egypt, Gabon, Gambia, Guinea, Equatorial Guinea, Upper Volta, Liberia, Morocco, Niger, Central African Republic, Senegal, Somalia, Sudan, Tunisia, Zaire, Uganda and Sierra Leone were absent and their participation was doubtful.

INSIDE

■ The U.S. Army will deliberately stunt its troop growth over the next several years to free money for its biggest weapons-buying spree since World War II. Page 3.

■ The U.S. ban on American technology for the Soviet gas pipeline is an unacceptable interference in European affairs, the European Community has declared in the draft of a protest document. Page 2.

■ The New German Cinema has been preoccupied by the complex nature and problems of postwar Germany, but still has not been able to confront the World War II period, Nazism and the Holocaust. A commentary on the resurgence of West German filmmakers is in Weekend. Page 7W.

Italian Socialists May Leave Cabinet

The Associated Press

ROME — Socialist leader Bettino Craxi said Thursday that Socialist Cabinet ministers are "ready to resign" over Parliament's failure to adopt a tax revision law. Such a move that would bring down Italy's 41st postwar government.

Gennaro Acquaviva, head of the party secretariat, said the Socialist leadership would meet Friday morning to decide whether to quit. Mr. Craxi and Mr. Acquaviva made their comments during a recess of a meeting of Socialist Party leaders.

The Chamber of Deputies late Wednesday rejected a law revising taxes on the distribution of petroleum products, part of the government's austerity package.

EEC Drafts a Protest Note to U.S. Over Ban on Soviet Pipeline Sales

By Roger Cohen

BRUSSELS — The European Economic Community has drafted a vehement protest to the United States over its ban on U.S. equipment and technology for the Soviet gas pipeline. It describes the move as unacceptable interference in its affairs.

The 15-page note, compiled in meetings of community legal and trade experts during the past three weeks, said the U.S. measures clearly violated the internationally consecrated principle of territoriality since they seek to regulate the behavior of European companies outside the United States.

"The public policy of the European Community," it said, "is replaced by U.S. public policy which European companies are forced to

carry out within the community if they are not to lose export privileges in the U.S. or face other sanctions. This is an unacceptable interference in the affairs of the community."

Diplomats said the note was submitted Wednesday night to community governments for final action and would probably be forwarded to the State Department and Commerce Department in Washington next week.

Brief Statement

It will be accompanied by a brief statement that said the ban would call into question the usefulness of technological links between U.S. and community companies, create resistance abroad to U.S. investment and inflict lasting damage on European companies that it said would no longer be regarded as reliable.

The protest responds to the Commerce Department's invitation for comments on the ban before the deadline of Aug. 21 for regulations implementing it.

The protest said the anti-boycott provisions of the Export Administration Act show that similar measures applied in the United States would be rejected by the courts. These provisions were passed when Arab countries tried to dissuade companies from dealing with Israel by refusing to trade with them.

The statement accompanying the legal argument formally called on the United States to withdraw the ban. It added that the pipeline could still be completed using Soviet technology and that the ban would inspire the Russia to enlarge its own manufacturing capacity.

Iran and Iraq In Stalemate, U.S. Believes

Stiff Fighting Forecast Despite Severe Losses

By Philip Taubman

WASHINGTON — The war between Iran and Iraq remains stalemated despite intense fighting, thousands of casualties and five Iranian drives into southern Iraqi territory, according to U.S. officials.

Despite heavy losses of men and equipment on both sides, the fighting is expected to continue and even intensify in the weeks ahead, officials said, because Iran apparently hopes that battlefield clashes will disrupt a conference of non-aligned nations scheduled to take place in Baghdad in September.

Since the war began in late 1980 when Iraq invaded Iran, there have been nearly 80,000 troops killed, 200,000 wounded, and 45,000 captured, U.S. officials estimated.

Iran, which began its initial invasion of Iraq on July 13, has since opened four offensives, the officials reported. Iraq, however, has managed to block each attack and drive Iranian forces back to within several miles of the border in an area northeast of the Iraqi port city of Basra.

Threat to U.S. Interests

The Reagan administration remains concerned, State Department officials said, that the war could threaten overall stability in the Gulf area and pose a danger to U.S. interests.

After the initial Iranian invasion last month, the United States offered to conduct military exercises with any friendly governments in the region that might feel threatened by the war. Administration officials said Wednesday that no requests for such maneuvers had been received and that no military exercises were planned.

U.S. officials who have been monitoring the war said the picture that emerged from satellite reconnaissance and other sources indicated there had been a series of fierce battles that ended with neither side holding a clear advantage. These officials expect the stalemate to continue for a prolonged period.

Iraqis More Confident

The officials said Iraqi troops appeared to have gained confidence during the fighting. During the spring, when Iranian forces drove Iraqi troops out of Iran, the Iraqi troops seemed disorganized and dispirited, the analysts said.

"We thought there was a serious danger that the Iraqi Army would collapse if Iran invaded," an analyst said. He added, "It's now clear they fought much harder when their homeland was at stake."

The main American concern about the war is that Iranian military victories could topple the Iraqi government of President Saddam Hussein and lead to the installation of an Islamic fundamentalist regime patterned after the one in Iran headed by Ayatollah Ruhollah Khomeini.

Despite long-standing economic and military ties between Iraq and the Soviet Union, U.S. officials consider Mr. Hussein's government preferable to an Islamic fundamentalist regime that they fear might join with Iran to threaten the security of Saudi Arabia and other key suppliers of oil to the United States.

5 Injured in Collision Of Ferries in Channel

Reuter

CALAIS, France — Two French car ferries collided head-on early Thursday in the Channel off Calais and five persons were hurt, the operators said.

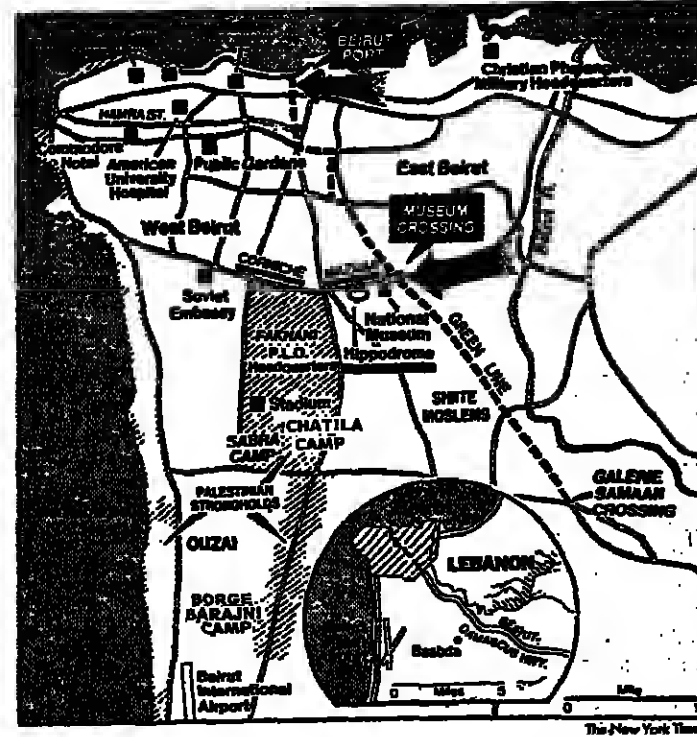
The Chantilly, heading for Dover, and the Cote d'Azur, heading for Calais, collided between three and five miles from the harbor, a spokesman for the ferry company said. Two seamen and three passengers were hurt, but not seriously, he added. Both ships were badly damaged but put in safety at Calais.

Growth Rate Increasing

The Chinese government has instituted measures to make families more content with a female child. A daughter may take her mother's surname. She may inherit her father's factory job when he retires. To forestall parental fears about a lonely old age, daughters have been made legally responsible for supporting elderly parents just as sons are.

Family planning posters and billboards that declare "An Only Child Is a Happy Child" or similar sentiments invariably feature a pigtailed girl with her smiling, prosperous parents.

China's Health News disclosed earlier this month that some women were having fetal tests in hospitals to determine the sex of their



Sharp Message From Reagan Reportedly Sent to Israelis

(Continued from Page 1)

ship with the United States could be jeopardized.

Israel's ambassador to Washington, Moshe Arens, said Thursday that sanctions would be ineffective and that talk of such action was "very foolish."

"You are talking about applying sanctions against a friend of yours, to your foremost ally in the Middle East," Mr. Arens said in a U.S. television interview. "You are clearly doing something very foolish."

"Israel is a country that has been ready to sacrifice its sons for its security," he said. "Would you expect any country that respects it-

self to give in to economic pressure and forego its security interests?"

Israeli radio said 19 soldiers were killed in the attack Wednesday, the highest Israeli toll for a single day of fighting since the first week of the war.

Egyptian Position

CAIRO (UPI) — Foreign Minister Kamel Hassan Ali of Egypt said his country would honor its commitments under the 1979 peace treaty with Israel although the shock of the Israeli invasion of Lebanon would force an indefinite postponement of negotiations on Palestinian autonomy.

Polish Party's Paper Raises Amnesty Hopes

By Dan Fisher

WARSAW — An article published Thursday in a Polish Communist Party weekly raises hopes for the first time the possibility of an early amnesty for about 2,000 Poles imprisoned for martial law offenses.

The article in Polityka also said Polish security forces had found underground union networks at eight factories but had decided only to warn the workers involved.

The article says the government is moving toward "more preventive measures and less repressive ones."

All of this appears to be part of a broader change in tactics for dealing with a hostile populace.

Last weekend, underground leaders of the suspended Solidarity independent trade union called for renewed demonstrations late this month against martial law. This call came after a one-month moratorium on such action that they had hoped would lead to a dialogue with the government.

The Communist weekly said Thursday that the break with previous practice represented in the warning to underground unionists made it possible to presume that when martial law was lifted "perhaps then the further serving of sentences will be reconsidered."

Martial law rule is expected to be lifted before the end of the year. Underground Solidarity leaders estimate that 2,000 Poles are either serving sentences for taking part in strikes or are being held pending trial on such charges.

In addition, more than 600 Solidarity leaders and sympathizers not formally charged with any crime are being held to prevent them from stirring up trouble, according to the authorities.

There had been widespread rumors before a speech two weeks ago by the martial-law leader, Wojciech Jaruzelski, that he would declare an amnesty for at least some of those imprisoned since Dec.

The fact that he did not was one of the main reasons cited by un-

derground Solidarity leaders in their call for renewed protest action.

The carefully worded Polityka reference contrasts with an almost unreservedly tough line that the regime has taken against opponents since martial law was imposed.

The authorities appear to be trying to lure Poles out of active opposition to the regime with promises to forgive past activities.

Last month, for example, it was announced that anyone wishing to quit the "extremist path" of underground opposition would be treated with understanding.

On Wednesday, according to the official Polish press agency, a middle-level Solidarity official surrendered to the police and was released after questioning. He was said to be the third to have done so, but none of the most prominent underground unionists have responded.

The Polityka article said that although in the case of the eight factories it was decided to "waive repressive measures," it added that "naturally such conduct could be threatened by events unfavorable for the normalization of life in the country."

Meanwhile, another Polish newspaper reported Wednesday that four workers at a car factory in Bielsko-Biala in southern Poland had been arrested for distributing illegal leaflets.

Bishops Blame Authorities

WARSAW (AP) — In a pastoral letter to be read from all pulpits Sunday, Roman Catholic bishops have formally blamed the martial law authorities in Poland for delaying a visit by Pope John Paul II.

Archbishop Jozef Glemp, the primate of Poland, said in the first formal reaction that the church had thought the visit by the pope to his homeland was possible.

The opinion of the authorities was the "decisive" pastoral letter said. "They did not express their approval for the pope's visit in August of this year, expressing their readiness to welcome him next year."

Compiled From Agency Dispatches

WORLD BRIEFS

House Opens Nuclear Freeze Debate

WASHINGTON — The House of Representatives opened debate Thursday on a proposal to freeze Soviet and U.S. nuclear arsenals. The issue is considered a major foreign policy test for President Reagan.

But in opening the debate, the bill's sponsor, Rep. Clement Zablocki, chairman of the Foreign Affairs Committee, moved to delete a provision calling for Senate ratification of the strategic arms limitation treaty known as SALT-2.

Rep. Zablocki, a Wisconsin Democrat, said he was acting in response to administration concern. He instead urged the administration to continue adhering to the limitations set out in the 1979 treaty. Mr. Reagan has already pledged the United States would continue to do so if the Russians did the same.

China Intensifies Textbook Protests

PEKING — China, determined to remind the Japanese of their wartime brutality, splashed images of bloody atrocities on national television and newspapers Thursday and demanded that Japan stop glossing over the past in school textbooks.

The media blitz, along with a new declaration by a Foreign Ministry official, markedly intensified the emotional dispute over the editing of Japanese textbooks, which the Chinese have contended is a sign of a revival of Japanese militarism.

Deputy Foreign Minister Wu Xueqian expressed indignation to the Japanese ambassador, Yasei Katori Chinas, at the changes in the textbooks and demanded that the Japanese government "take the necessary measures to correct the mistakes of the Japanese Ministry of Education in censoring and revising the textbooks."

Dutch Warned on Rejecting Missiles

THE HAGUE — Dutch rejection of the 48 Cruise missiles earmarked for deployment in the Netherlands after 1983 could seriously damage NATO, a government report said Thursday.

In a 224-page report, the Scientific Council on Government Policy said postponement of the decision since 1979 had already undermined the Dutch position in NATO.

The Netherlands and Belgium have refused final ratification of NATO's plan to deploy 572 Cruise and Pershing-2 missiles in Western Europe.

Mansfield Worried About Japan Ties

TOKYO — Mike Mansfield, the U.S. ambassador to Japan, expressed concern Thursday over "a sense of uneasiness on both sides of the Pacific" and an "atmosphere of mutual recrimination" that he said had developed between Washington and Tokyo.

Mr. Mansfield said at a luncheon meeting at the Japan National Press Club that Americans and the Japanese have developed "a tendency to search for hidden motivations and prejudices about each other." He said that "a Pandora's box of old stereotypes has been opened, letting loose some capricious and negative elements that are hard to control."

He again cited the "enormity" of the problem of \$18-billion U.S. trade deficit last year and criticized Japan for dismissing the threat of growing Soviet military power in Asia. Issues like these are "quite manageable" in themselves, he said, but an atmosphere of mutual recrimination makes it "very difficult" to resolve them.

Spain Arrests Four as ETA Suspects

MADRID — Police announced Thursday the arrest of four alleged members of the Basque separatist organization ETA, who are said to be responsible for arming ETA members in the interior of the country.

Police said that the detainees had participated in the assassinations of José Maria Felix Lategui, director of Mobiliser España; Enrique Cuesta Jimenez, delegate of the state monopoly Telefonos; and a policeman in the Basque country last year, and in the kidnapping of the son of a Basque industrialist, Francisco Limousin.

The detainees were identified as Joaquin Zabaldua Gorostidi, Maria Aranzaca Carrera, Maria Angeles Izusta Mait and Agustin Artola Gacacoches.

Somalia Reports Ethiopian Attack

MOGADISHU, Somalia — The Somali Defense Ministry said Thursday that Ethiopian troops had launched a cross-border strike against government positions in the Habas region but were driven back in fierce fighting.

The ministry said the Ethiopians suffered heavy losses in the fighting, 250 miles (400 kilometers) northwest of Mogadishu. Ethiopia and Somalia have been fighting for decades over the Ogaden, which is ruled by Ethiopia but claimed by Somalia.

Radio Kulimbi, the voice of the Democratic Somalia Salvation Front, said in a broadcast from Ethiopia that its forces had killed 232 Somali government troops and wounded 360 others in three days of fighting along the border.

Press Kept From Soviet Peace Group

MOSCOW — Soviet police prevented Western correspondents from attending a news conference called Thursday by Moscow's daily independent peace group.

The small group of Soviet intellectuals, called "the committee to establish trust between the USSR and USA," has faced harassment from authorities since announcing plans in early June to promote nuclear disarmament. Only government-sponsored peace groups are permitted in the Soviet Union.

One West German and three American correspondents were refused entry to a Moscow apartment building where group members invited them to discuss the committee's plans to mark the 37th anniversary Friday of the bombing of Hiroshima.

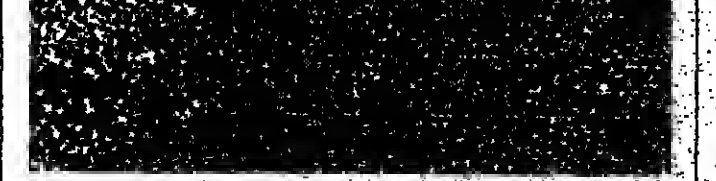
Kabul Confirms Political Shake-Up

NEW DELHI — The Afghanistan government radio officially confirmed Thursday that Lt. Gen. Gul Agha has been replaced as the political chief of the armed forces by Dr. Engineer Sadiqi.

A Western diplomatic report reaching New Delhi earlier this week said Gen. Agha was fired under Soviet pressure because, rather than working to heal the rift in Afghanistan's military, he was replacing officers of the rival faction with those of his own, it said.

Gen. Agha was noted as a member of President Babrak Karmal's Parchamite faction of the Communist Party, which has been leading with the Khalq faction. Soviet policy has been to get the two to cooperate. Afghan exiles in New Delhi identified Dr. Sadiqi as a Parchamite also but less hard line than Gen. Agha.

Compiled From Agency Dispatches



IN REMEMBRANCE — More than 25,000 persons, from 34 countries, gathered in Hiroshima, Japan, for a meeting of the World Congress Against Atomic and Hydrogen Bombs. On Friday, Hiroshima will observe the 37th anniversary of the first use of an atomic bomb, Aug. 6, 1945.



Kenyans look into looted shops in Nairobi after the abortive coup.

Moi Says 129 Died in Uprising in Kenya

Reuter

NAIROBI — President Daniel Arap Moi said Thursday that 129 people were known to have been killed during the attempted coup Sunday against his government.

The president's statement, reported by the state radio, was made to foreign diplomats.

He said: "So far, the number of persons dead is 129. Out of this, the majority are rebels and the exercise of identification is still going on." Uncon-

firmed estimates here have put the number killed at several hundred.

Mr. Moi said the abortive coup had been led by junior ranks in the air force, who took advantage of the absence of most of the army for maneuvers in northern Kenya.

He said the government regarded the revolt as "a serious form of hooliganism by misguided youth."

One-Child Rule in China Creates Pressure to Bear Sons

Press Focuses on Beatings of Women in Provinces Who Give Birth to Girls

By Christopher S. Wren

PEKING — After Gao Lihua, a teacher from Jilin province in northeastern China, married Chen Xudong, a soldier, she committed an unpardonable sin in the eyes of his family. She gave birth to a daughter.

Forbidding the family even before the birth, because the baby had been conceived in May, a month that folk tradition holds produces girls.

Miss Gao's mother-in-law tried to make her get an abortion. Her father-in-law, a Communist Party member who headed the county planning commission, complained that the family lineage would end.

Both parents pressed their son to get a divorce.

When the baby was born, Mr. Chen came home on furlough and beat his wife, leaving her with numerous facial injuries and a brain concussion. Her father-in-law, who sat watching television during one beating, told Miss Gao later: "Don't come to me for help. Our family simply doesn't want you."

Family-Planning Program

Miss Gao's ordeal is just one of the cases related in the Chinese press lately about the abuse of wives who give birth to a daughter. The publicizing of such stories suggests official concern that the country's stringent family-plan-

ning program may be making some Chinese families press more than ever for a son.

The traditional Chinese preference for a male child poses the greatest obstacle to the policy of limiting new families to a single child. A directive last spring said urban couples who had more than one child would be punished.

In the countryside, local authorities sometimes let peasants have a second child if the first is a daughter, reasoning that a girl will not be strong enough to help her father with the field work. More often, however, women are told to use birth control devices and to have an abortion if they become pregnant again.

The pressure on families is likely to mount. The birth control policies, while draconian by Western standards, have trimmed China's population growth rate to 1.2 percent, as compared with an average of 2 percent for other developing countries.

But Deputy Premier Chen Muhua, who oversees the family-planning program, acknowledged earlier this month to Rafael M. Salas, the director of the United Nations fund for population activities, that China's growth rate has begun inching back up to 1.3 or 1.4 percent.

Growth Rate Increasing

The Chinese government has instituted measures to make families more content with a female child. A daughter may take her mother's surname. She may inherit her father's factory job when he retires. To forestall parental fears about a lonely old age, daughters have been made legally responsible for supporting elderly parents just as sons are.

Family planning posters and billboards that declare "An Only Child Is a Happy Child" or similar sentiments invariably feature a pigtailed girl with her smiling, prosperous parents.

China's Health News disclosed earlier this month that some women were having fetal tests in hospitals to determine the sex of their

All-White Party In Namibia Rejects Election Proposal

Reuter

WINDHOEK, South-West Africa — Namibia's major all-white party, the National Party, says it will not take part voluntarily in one-man, one-vote elections under United Nations supervision in this disputed territory.

A five-nation Western contact group has sought such elections in negotiations with South Africa, the South-West Africa People's Organization and surrounding African countries. Negotiators for the Western group said Saturday that agreement was near on a plan for Namibian independence from South Africa and that elections could be held in the first half of next year.

But a resolution passed at the National Party's annual congress late Wednesday also urged South Africa, which administers the territory in defiance of UN resolutions, to suspend negotiations on Namibia's future until a number of conditions were met.

These included withdrawal of Cuban and other Communist troops from neighboring Angola, proof of UN impartiality, a visible cessation of hostilities in the 16-year-long bush war and guarantees for the self-determination of Namibia's 11 ethnic groups.

The party also called for the abolition of the present multiracial Assembly and their replacement by similar bodies composed of the "recognized and elected leaders"

Female Babies Drowned

Sometimes the babies themselves are the victims of prejudice. Early last month, a peasant near Shenyang fished a sack out of a river and found the corpse of a female infant tied to a stone.

Drowning is an old Chinese way of disposing of unwanted daughters, though a report several years ago mentioned eight baby girls who were found suffocated in a sack left at a Communist Party office.

But the mistreatment of mothers seems to get more attention, as recent accounts in newspapers show. Jiang Yujie, a transport worker in Shenyang, was cursed and beaten by her husband and mother-in-law after she gave birth to a daughter.

Her mother-in-law urged her husband to seek a divorce and promised to find him a wife who could produce a son. In April, Miss Jiang killed herself by drinking seven bottles of insecticide.

In reporting such cases, the press has taken pains to point out that the offending husbands and in-laws have been punished. Gao Lihua's husband faced a court-martial and her father-in-law was suspended from his county post.

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Severe Inflation Intensifies Pressure on Argentina's Shaky Military Leadership

By Jackson Diehl
Washington Post Staff Writer

BUENOS AIRES — Argentina, stricken by economic crisis and widespread postwar disillusionment, remains in a volatile state of political and social disorder seven weeks after losing the Falkland Islands conflict with Britain.

The military leadership, particularly in the army, is in serious danger of collapsing into new and even violent internal power struggles, according to well-informed sources in Buenos Aires.

Simultaneously, the weak army government, increasingly controlled by the commander in chief, Maj. Gen. Cristino Nicolaides, is on the verge of open confrontation with militant political factions and the labor movement.

Among moderate politicians, including those who hope the present army administration will last, the fear is growing that the government's promise of a return to democracy within 18 months may be nullified by economic disaster or a new, violent coup by anti-democratic officers in the military.

For much of the public, meanwhile, the hope of peaceful reconstruction that followed the appointment of a retired general, Reynaldo Benito Rignone, as president last month has all but died out.

"Argentina is living the saddest hour of its



Maj. Gen. Cristino Nicolaides

modern history," a newspaper columnist wrote recently.

"Without captains, without rudder, without

course and practically without ship, this country has turned into one of the great refugees of the modern world."

The Rignone government is moving partly to quell political discontent this week by releasing for final approval a long-awaited new law that will allow Argentines to join parties and new parties to form for the first time in six and a half years.

Political sources also say the army is believed to be making a new effort to persuade the navy and air force to rejoin the government and ruling junta they abandoned in June.

But political leaders privately describe even the new political law as an essentially cosmetic measure.

One politician, noting the abandonment of longtime military intentions to limit the number of parties and force out the present political leadership, said, "It is a gift. But it is a minor element compared to the underlying crisis."

Perhaps the most glaring ills are those of the economy, which, with its three-digit inflation and rapidly dropping production, was declared a national emergency by the new economy minister, José Dagnino Pastore, early last month.

An elaborate government program to shock

Argentina out of its recession with wage increases, subsidies, lowered interest rates and wage increases set off a wave of hyperinflation that was unofficially calculated at 25 percent during two weeks of last month, or more than 500 percent annually.

Meanwhile, the Argentine peso, split into a bewildering 17 rates of exchange by the new program, has risen as high as 60,000 to the dollar on the thriving black market, a 300 percent devaluation since May.

Militant action by union leaders is soon expected. Already, 6,000 maritime workers have staged an 18-hour protest strike shutting down most of Buenos Aires port, and the government narrowly averted a nationwide transport strike last week.

In the army, Gen. Nicolaides has relieved of duty every officer who served on the Falklands from the rank of general through major, while so far withholding blame from the top generals who set policy.

Officers Fight Back

But the lower officers and the Falklands commander, Maj. Gen. Mario Benjamín Menéndez, have counterattacked, offering interviews to the press and writing internal reports laying blame for the defeat squarely on the officers around Gen. Nicolaides.

"A face-off is now inevitable," said a source

close to army officers. "There will be a crisis

that will challenge the foundations of the armed forces before it is through."

The most intractable problem inhibiting a military withdrawal from power, though, is the issue of Argentina's disappeared, the estimated 6,000 to 10,000 persons who vanished and were presumably killed during the military's "dirty war" against internal opponents during the late 1970s.

In the last two weeks, several politicians, in one case representing the leading Peronist Party, have for the first time openly called for investigations and trials of officers involved in both the Falklands defeat and the earlier internal violence.

These statements have provoked fearful and angry reactions in the armed forces, where many of the top officers were directly involved in the disappearances as field commanders six or seven years ago.

Already, there has been a noticeable hardening in the military's public front.

As the government has failed to gain confidence in recent weeks, Gen. Nicolaides, the real power in the government, has begun to issue stronger and stronger statements denying the existence of the problems much of the country is preoccupied with, mixed with ominous threats toward more militant government opponents.

In a recent speech, for example, Gen. Nico-

laides announced that Argentina's economic situation was good and that the Falklands conflict had been "a little setback."

In another speech he said there were no problems in the army, despite the resignation days earlier of a top-ranking division general unhappy over the removal of officers on the Falklands.

He said he was ready for "groups that are looking for objects closely related to subversion."

Peronist Sees Coup as Possible

This week, Deolindo Bittel, Peronist party vice president, said he believed a new coup was possible.

But military officials and many political leaders maintain that the nationalistic, anti-democratic coup predicted in many quarters would not hold up.

One political activist said, "A nationalistic dictatorship would last 15 days because the armed forces are just too weak to maintain a government like that. But the problem is, what would happen in those 15 days could pull the whole political process apart."

The newspaper Clarín said, "Argentina, having abandoned the happy unreality of before, seems to be slipping with brief and insecure moves down a rope suspended from the rocking seesaw of rumors and presages."

Focusing on Weapons, U.S. Army Is Adopting A Slow-Growth Policy

By George C. Wilson
Washington Post Staff Writer

WASHINGTON — The Army will deliberately stunt its troop growth over the next several years to free money for its biggest weapons-buying spree since World War II.

The decision to favor weapons over people is the biggest force shaping the Army's new five-year plan, now under review at the Pentagon, with fiscal 1984 the starting point.

The basic problem is that the Army has many big bills coming due for major new weapons systems. It has ordered more weapons than it can pay for unless it holds down people costs.

Gen. Edward C. Meyer, Army chief of staff, has been down the line, to his slow-growth troop policy during meetings of the Defense Resources Board on the fiscal 1984 through 1988 blueprint, officials said Wednesday. His opponents contended that the recession has presented the Army with a golden opportunity to expand, because more men and women are trying to enlist than can be accepted under current personnel ceilings.

"Stockpiling" Volunteers

If Gen. Meyer continues to prevail over those who want to "stockpile" volunteers, the Army, although it is the military branch that needs the most people, will grow more slowly than other services during the next five years. Its growth rate is projected to be half that of the Navy and Air Force, and even less than the Marine Corps, which is one-quarter the Army's size.

Defense Secretary Caspar W. Weinberger, in going along with Gen. Meyer, is signaling a shift in administration thinking on what needs to be done first to build up the military services under President Reagan's blueprint. This time last year Mr. Weinberger in his policy guidance to the Army called

for a "major expansion of force structure," meaning additional divisions.

The Army may have chilled Mr. Weinberger by warning in a memo last summer that it would take almost 100,000 more soldiers above those then in uniform to build the extra units required to meet his policy guidelines. The Army should grow to 870,000 by 1987 to do the job the administration has set out for it, the memo said.

It added that there was little hope of recruiting enough volunteers to reach 870,000 by 1987, making the draft the only sure solution.

The projected size of the Army has since been lowered to 819,000 for 1987, a growth of only 35,000 over its authorized strength of 784,000 for this fiscal year. This modest 4.5-percent increase compares with growth rates of 9 percent for the Navy and 10.5 percent for the Air Force. The Navy is planning to go up by 50,000 members and the Air Force by 59,000 in the same period.

"Our immediate objective with regard to force structure and modernization is to modernize the existing 24-division force before attempting to increase the number of divisions," Gen. Meyer and Army Secretary John O. Marsh Jr. said in making their case to Congress.

A top Pentagon executive from the Carter administration said he agreed with Gen. Meyer. "If we need more divisions, let the Europeans provide them, especially since we don't have the air and sea lift needed to get them to Europe anyway," he said.

Gen. Maxwell R. Thurman, the Army's manpower chief, said he would like to get more volunteers while the getting is good. But he said he understood the rationale of the "significant policy decision" to settle for slow growth in manpower.

"It does two things," Gen. Thurman said. "It modernizes the active component and also modernizes National Guard and reserves." Delivering the new M-1 tanks to active duty units makes the older but still prized M-60 tanks available to the reserves, he said in giving one example of the double dividend.

14 Major Weapons

The General Accounting Office, the investigative arm of Congress, has lent credence to the contention that the Army has ordered more weapons than it will be able to pay for, even after holding down troop growth.

Nothing that the Army is trying to put at least 14 major weapons in the field at once, including the M-1 tank, A-1H attack helicopter, Pershing-2 missile and the Division Air Defense Gun, the GAO said "not only is there some concern regarding the availability of sufficient procurement funds to buy the weapons at economical rates, but there is also growing concern about the accompanying operation and support costs that will be required over the next 10 to 20 years."

"Something has to go," said a Pentagon official who has reviewed the Army's shopping list. The Division Air Defense Gun is one of the big weapons that has been on and off the chopping block at recent Defense Resources Board meetings on the fiscal 1984 budget, along with less glamorous items like new trucks.

But there is no sign that the Army intends to change its main budget objective of getting new weapons before it gets new people.

Although the tests found no evidence of long-range problems, the study group said it was unable to rule out the possibility that some volunteers may have been affected.

The study noted unconfirmed reports that some of the chemicals used cause subtle changes in brain wave readings, sleep patterns and behavior that "persist for at least a year." But it added that such effects "would be difficult to detect now."

Iowa Candidate's Tax Savings May Cost Votes

By Tom Witosky
Washington Post Staff Writer

DES MOINES — It has been one of the rainiest summers in Iowa history, but the fact that Democrat Roxanne Conlin's campaign to become the state's first woman governor has come to a dead stop is not due to the mud underfoot.

What has rained on her parade is the fact that she and her husband, James, are worth millions but paid no state income taxes last year.

Iowans generally are happy to ignore politics this early in the campaign, but Mrs. Conlin, 38, a former U.S. attorney, found to her sorrow a way to capture the attention of nearly everyone.

Easy Primary Victory

On July 1, Mrs. Conlin and her husband, a real estate developer and investment broker, voluntarily released a statement showing their net worth as \$2.2 million. In addition, Mrs. Conlin disclosed that they paid no state income taxes for 1981 and only \$2,995 in unspecified federal taxes.

Mrs. Conlin had been riding a crest of momentum from her easy victory in a three-way Democratic primary. With that disclosure she found herself losing ground to her Republican opponent, Lt. Gov. Terry Branstad, 55, a lawyer.

In May, she led Mr. Branstad 45 percent to 38 percent in the Iowa Poll with 17 percent undecided. Now Mr. Branstad leads, 49 percent to 37 percent with 14 percent undecided.

At stake is the office held by Gov. Robert D. Ray, a Republican who is retiring rather than seek a sixth term.

The Big Question

"The biggest disappointment is that we thought we had a candidate who would win," a Democrat said. "It was our best shot in 14 years to win the governorship, and we just saw it go down the drain." Mrs. Conlin has categorically ruled out any possibility of withdrawing.

At a recent rally in Des Moines, a postal worker asked the question that has been upmost for many Iowans.

1953 have been seeking compensation for the loss of more than 4,000 sheep.

In what legal experts characterized as a rare finding, Judge Christensen concluded that the government had "perpetrated a fraud upon the court." He said that in the original trial government witnesses and officials had made intentionally false and deceptive representations, attempted to pressure witnesses not to testify about their real opinions, intentionally withheld information in a manner that was misleading and deceitful, and answered questions in a deceptive fashion.

Judge Christensen said he was not now ruling that radioactive

payments and dividends drew extended comment and criticism.

The committee refrained from taking any votes until after the meeting at the White House.

Congressional leaders have said they would like to have complete approval of the tax package before Congress recesses on Aug. 20.

Hinckley Waives Hearing on Early Hospital Release

WASHINGTON — John W. Hinckley Jr. has waived his right to a hearing on his suitability for release from St. Elizabeth's Hospital, opening the way for a federal judge to commit him to the mental institution for an indefinite period.

Mr. Hinckley's decision Wednesday came two days after psychiatrists at the institution advised U.S. District Judge Barrington D. Parker that Mr. Hinckley was still a danger to himself and others and should remain confined to the facility. He has been at St. Elizabeth's for evaluation since June 21, when he was found not guilty by reason of insanity of shooting President Reagan and three others on March 30, 1981.

"John himself made this decision," said Gregory Craig, one of Mr. Hinckley's lawyers who met with him Tuesday.

The hearing, to determine whether he should be released was originally scheduled for Monday. Court officials said a proceeding would still take place Monday, at which time Mr. Hinckley's lawyers are expected to formally notify Judge Parker of his waiver and the judge is expected to commit him.

U.S. Aiding Honduras To Build Frontier Base

By Raymond Bonner
New York Times Staff Writer

PUERTO LEMPIRA, Honduras — With tensions rising between Honduras and Nicaragua, United States and Honduran troops have been conducting a joint military exercise near the Nicaraguan border.

U.S. and Honduran officers say the primary objective of the two-week exercise, which involves U.S. Air Force and Army units from Panama, is to establish a permanent Honduran base at Durazno, 25 miles (40 kilometers) north of the Nicaraguan border.

The base, which the officers say will be the largest in eastern Honduras, is in a pine forest 45 miles west of this muggy, run-down port village. They say it will be home for an infantry battalion, supported by an artillery battery and an engineering unit. The Hondurans are also constructing an airstrip at Durazno that will be capable of handling large transport planes and jet fighters, the officers say.

Nicaragua's interior minister, Tomás Borge Martínez, said recently that "a real state of war" existed along the border with Honduras.

Asked why the base was being built in this isolated region, where it is possible to fly for long distances without seeing a village, a Honduran Army major said it was because of its proximity to Puerto Cabezas, Nicaragua.

Puerto Cabezas, which was used as a launching point for the U.S.-backed invasion of Cuba in 1961, has become a center of military operations for Nicaragua's Sandinista government. Nicaragua has improved the runway and port, and U.S. officials have charged that heavy military equipment has been unloaded there.

Nicaragua Cites Casualties

MANAGUA (AP) — The Sandinista government said Wednesday that 136 anti-government rebels and 28 army soldiers have died in a month of fighting in northeastern Nicaragua.

10 Hurt in Blast

TEGUCIGALPA (UPI) — At least 10 persons were injured when three powerful bombs planted by leftist rebels exploded in Tegucigalpa, Honduras, Wednesday.

The bombings took place late Wednesday less than a minute apart and within a half mile of the president's residence. Police blamed the bombing on the leftist Lorenzo Zelaya Front.

Reagan Vows to Fight For Bill Raising Taxes

By Karen W. Arenson
New York Times Staff Writer

WASHINGTON — President Reagan has expressed his strong support for the tax bill now before a congressional conference committee that would raise \$98.5 billion in revenues during the next three fiscal years.

Senators and representatives emerging from a series of meetings Wednesday afternoon at the White House said the president had promised to mount a campaign to sell the package, particularly to Republican members of the House who have said they would not pass a bill increasing taxes before the adoption of new spending cuts.

The president did not indicate plans for a nationally televised appeal similar to his call last summer for public support of his tax cut bill. But he is expected to talk with congressmen in person and by telephone.

The president endorsed the tax bill when it passed the Senate Finance Committee a month ago but has not made a point until now of strongly supporting the measure. It would raise \$21 billion in fiscal 1983, which starts Oct. 1, and nearly \$78 billion in fiscal 1984 and 1985.

Doan's Over Tax Cuts

The meetings, first with Republican leaders and then with Democrats, largely centered on the doubts some congressmen have over the idea of tax cuts rather than on specific provisions in the bill drawn up by the Senate.

Sen. Bob Packwood, Republican of Oregon, called the meeting "lively and combative" and said some of the debate was among congressional members, rather than between the president and individual congressmen.

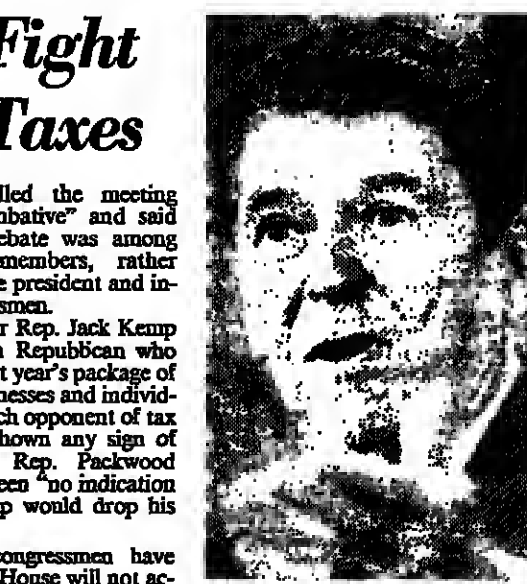
Asked whether Rep. Jack Kemp of New York, a Republican who helped create last year's package of tax cuts for businesses and individuals and a staunch opponent of tax increases, had shown any sign of giving ground, Rep. Packwood said there had been "no indication at all that Kemp would drop his opposition."

Democratic congressmen have warned that the House will not accept a tax increase bill unless the administration throws its full weight behind it. Many Republicans have said they will not accept tax increases without substantial spending cuts. And many Democrats support tax increases unless the Republicans do, especially since this is an election year.

No House Version

Because of the House's reluctance to vote for any tax increases, it did not pass its own tax package. Instead, it went directly to conference with the Senate over a version drawn up by the Senate Finance Committee and approved by the full Senate.

Earlier Wednesday, the joint committee finished reviewing the 101 tax provisions in the bill. Provisions that would limit industrial development bonds, restrict deductions for business lunches and establish withholding on interest



Ronald Reagan

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Court Reverses Reagan On Seat Belts, Air Bags

By Michael deCourcy Hinds
New York Times Staff Writer

WASHINGTON — All new cars sold in the United States after September 1, 1983, must be equipped with air bags or automatic seat belts, a federal court of appeals has ruled.

The court's decision Wednesday, which can only be overturned by the Supreme Court, was a setback for the Reagan administration, which rescinded the original safety regulation in October.

The only other option mentioned by the court was a Congress to change the law.

Raymond A. Peck, head of the National Highway Traffic Safety Administration, said the regulation was rescinded because "it no longer met the statutory criteria which requires that all standards be 'reasonable,' 'practicable,' 'appropriate,' and 'meet the need for highway safety.'"

The court of appeals said Mr. Peck's decision was "arbitrary and unlawful."

Officials at the traffic safety administration also defended their decision by saying that automakers planned to meet the requirement by installing automatic seat belts that were cumbersome and easily detachable, rather than the expensive, more effective air bags.

The administration claimed revocation of the regulation would save manufacturers and consumers about \$1 billion annually.

Insurance companies and consumer groups claim that full compliance with the regulation could save 9,000 lives a year. Led by State Farm Mutual, the groups petitioned the U.S. Court of Appeals in the District of Columbia to revoke the administration's action. On Wednesday the court reinstated the safety standard.

Because of the difficulties created by the rescission, the court made the compliance date for large and midsize cars Sept. 1, 1983. This applies to all automobiles sold in the United States, including imports.

Carter Regulation

According to the original rule, written during the Carter administration, the automatic crash protection equipment was to be included in large and midsize cars by this fall and in small cars by next fall.

Now all 1984 cars must either have new seat belts that automatically suround passengers as they sit down or air bags that automatically inflate during a frontal collision and cushion the people in the front seat.

David Carritt, 55, English Art Historian, Dies

By John Russell
New York Times Staff Writer

David Carritt, 55, English art historian, critic and dealer who was responsible for more sensational discoveries in Old Master painting since World War II than any other person, died Tuesday in London of cancer.

Mr. Carritt distinguished himself at the age of 25 by discovering in the remote home of a retired surgeon in the British Navy, a painting by Caravaggio, "The Musicians," which is now in the Metropolitan Museum of Art in New York.

Among the later finds for which he became famous was a large group of decorative paintings by Tiepolo, two of which are in the National Gallery of Art in Washington.

He found these in the stables of an Irish country house.

Among the other unlikely locations in which he made major discoveries were the clubhouse of a golf course on the outskirts of London, a cottage on the river Thames at Bray, and the dining room of the Egyptian Embassy on South Audley Street in London.

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Herald Tribune

Published With The New York Times and The Washington Post

The Beirut Endgame

From THE NEW YORK TIMES

While Israel moves in tanks to squeeze West Beirut, President Reagan moves from impatient scowls to vague threats to squeeze Israel. He says the Israeli advances are unhelpful to efforts to get the PLO out of Lebanon. Yet it is only the Israeli threat that makes the PLO willing to consider withdrawal. Mr. Reagan, like the Arab League and most Lebanese, wants the fruits of Israeli action without the burden of its casualties.

Hand-wringing contributes nothing to this ugly endgame. When the PLO holds half a city hostage and shouts "Pay my ransom or shoot your way past these innocents," there is no special virtue in cease-fires that let the talks drag indefinitely. What needs judging are the conditions advanced by both sides for ending the confrontation.

It is obvious after two months that both are looking for more than a way to disengage. That could be arranged in hours. The PLO wants to salvage a political victory from a military ruin. Israel wants a political bonus for a military victory. Innocents can be saved, but only if Mr. Reagan applies strong policy instead of dark words to influence the grisly calculus.

At best, the PLO would like to exchange its Beirut hostages for the promise that it will inherit a Palestinian state. The way to defuse that ambition is for the United States and key Arab states to assert clearly that Palestinian statehood is not negotiable in Beirut.

The next-best outcome for the PLO would be a withdrawal that brings it recognition as the only spokesman for Palestinian nationalism. That, too, should be firmly denied. Such a ransom would strengthen the PLO's extremists. And it would destroy the chances of negotiating true autonomy with fairly elected Palestinians in the West Bank.

Help Wanted: Economist

From THE WASHINGTON POST

The chairman of the president's Council of Economic Advisers has departed, the White House is apparently looking for a successor. First question: Why bother? The Reagan administration, after all, does not care much for economists, or pay any great attention to their advice. The recent chairman, Murray L. Weidenbaum, is only the latest of a parade of Reagan economists to resign in exasperation.

The next question, even harder to answer, is why anyone would take the job. The last person whose public reputation was actually enhanced by service as chairman of the council was probably Gardner Ackley, who left nearly 15 years ago. All of the chairmen since then have been people of superior professional ability and, on returning to private life, all of them continued to contribute, vigorously and usefully, to national debate over public policy. But it is unfortunately also true that all of them, as political figures, suffered erosion of their public standing in the time they were at the White House.

The explanation lies not in personalities but in the nature of the job. It was created by the Employment Act of 1946, when Congress, responding to deep fears of renewed depression, declared a federal responsibility "to promote maximum employment, production and purchasing power." By establishing the Council of Economic Advisers, Congress took the even more daring step of suggesting that professional economists were the people to guide that process.

Other Editorial Opinion

Reagan Outmaneuvered

President Reagan has allowed himself to be maneuvered into an awkward position over Israel's siege of Beirut. After nearly two months of American acquiescence in Israel's drive to eradicate the PLO in Lebanon, he is being forced by popular revulsion over the plight of the inhabitants of West Beirut (fueled, as was the case in Vietnam, by nightly television pictures) into taking up a posture of condemnation of Israel.

It must seem doubtful whether Mr. Reagan and his closest White House advisers have ever really understood what kind of people they are dealing with in Mr. Begin, Mr. Sharon and Mr. Shamir. They are fighters. Mr. Begin and Mr. Shamir were both formerly leaders of terrorist groups (Irgun and Stern Gang respectively).

At all events, Mr. Reagan and Mr. Shultz, his new secretary of state, are now landed in a dilemma in which they see America's broader interests in the Arab world being threatened by what is happening in Beirut.

—The Daily Telegraph (London).

Beirut and the guerrillas and civilians held up there are being ground into pieces. It is enough. It has got to end. Israel cannot now claim anything like a victory in Beirut, whatever may have happened in the rest of Leba-

non, because military victory must have a political dimension too.

There is no political gain for Israel now in all this. The PLO is making its last desperate stand before being destroyed as a military organization and vanishing into an impotent diaspora miles away from Israel's frontiers.

—The Guardian (London).

U.S. vs. Japan

Recent trade-related arguments between the U.S. and Europe have overshadowed the trading tensions between the U.S. and Japan. The trading atmosphere between the U.S. and Japan has taken a turn for the worse. A flurry of legal cases has alerted Americans to the idea that Japanese businessmen may be using unsavory business methods in competing with U.S. industry and selling into the U.S. market.

Meanwhile, the argument (among U.S. businessmen) has moved on from "we want to compete against fair competition" to "we can't compete, so we need protection."

This gradual shift in the character of the trade argument is just one more facet of the more general threat to the principle of free trade. It is one more reason why the GATT ministerial meeting scheduled for the autumn gains steadily in potential significance.

—The Financial Times (London).

No Way to Cover Up The Rift in the Alliance

By Christopher Soames

LONDON — There have, of course, been strains before in America's partnership with Europe. But the tensions we now face seem to me to be the most worrying ever. And they arise at a time when we can least afford them, when years of suffering the twin evils of inflation and unemployment have made the pressures harder to resist.

Most fundamentally, for the first time the Americans and the Western Europeans are lining up on different sides of the old argument about how to handle the Russians. How much stick and how much carrot? It is dangerous that while Europe sees America as obsessed with the stick, America sees Europe as being interested only in brandishing the carrot. On both sides there is a disturbing growth in self-righteousness: Americans scolding European "softness" and "creeping neutralism," and European leaders in denouncing American "hypocrisy" and "brinkmanship" over East-West trade.

Then there is the way in which so many different issues are coming to a head. We are facing not just a coincidence but a convergence of crises. The dispute over steel puts a question mark against long-standing assumptions about the free world's progress toward open industrial trading. The long-standing conflict between America and Europe over farm trade threatens to boil over. The transatlantic dialogue about economic policies seems to be bogged down in a welter of European complaints about American budget deficits, interest rates and the dollar exchange rate.

Meanwhile, the diverging views on détente highlighted by the gas pipeline issue may well culminate in even greater violence as NATO moves in 1983 toward firm decisions on arms control and new deployment. And when the dust settles in Lebanon, who can tell whether Europe and America will not find themselves even further apart than before in their attitudes toward the Arab-Israeli conflict?

A disturbing feature of the present scene is the fact that we can no longer cover up, defer or resolve our differences by the time-honored device of attributing them to procedural deficiencies. "Lack of consultation," "poor communication," "inadequate machinery": These fig leaves, which have seen us through so many embarrassing moments, can no longer be made to serve, after a decade that has seen more contacts between Western leaders at every level than ever before — culminating in the recent Versailles summit and President Reagan's visit to Europe.

No — we have to face up to the fact that America and Europe are now at loggerheads to an extent they have not been for many years. America, having moved with extraordinary rapidity from isolation to hegemony, is finding it hard to settle down to the more normal condition of equality — whether with Russia or, in an economic sense, with Europe and Japan. European countries are also finding it hard to adjust to the new relationship with the economic strength of the Community provides and the responsibilities that go with it.

We are facing a growing agenda of differences. What do we do about it? There is a strategic choice at stake. Does the catalog of our mounting disagreements illustrate a single fundamental fact, which we must sooner or later acknowledge and embrace, that

America and Europe are set on a course of divergence? Are we expecting too much of each other?

The fact that it is difficult, at least in Anglo-Saxon circles, to articulate heresy against the postwar Atlanticist orthodoxy should not blind us to the powerful considerations that support the view that the differences between Europe and America can only get worse. Our economies are characterized by slow growth, unemployment, periodic oil shocks and the rapid development of Asian industrial competitiveness. Does this portend an inexorable tide of protectionism attacking the most sensitive sectors of transatlantic trade? In the strategic context of military parity between the United States and the Soviet Union, and of Western Europe's physical proximity to Russia, how can we prevent different European and U.S. policies and attitudes toward their relations with the Soviets from undermining the unity of the alliance?

It is necessary to face up to these questions. But I, for one, have no doubt that America and Europe can and must find again what Henry Kissinger calls a "common vision and shared goals." It would be truly a paradox of immense and tragic proportions if, having achieved the adulthood promised by the postwar order, Europe and America could not find the maturity to live together in a harmonious partnership.

But now trade and political disagreements between Europe and America have reached such dimensions that it will be difficult to resolve each problem separately and on its own merits, through talking together and submitting when necessary to impartial arbitration. We have reached a point at which each distinct problem has to be seen as a facet of the most fundamental issue: What must we do to keep the Atlantic community a living reality?

Are there not important lessons in



By Steve Meyerson — The Washington Post

this regard from the recent past, when George Shultz was secretary of the Treasury? Between 1973 and 1977, those of us who had a measure of responsibility for the trading policies of the European Community and the United States constantly monitored the effects of those policies on Atlantic relations. Many issues were argued out between officials of the EEC and of the U.S. departments of commerce and of agriculture. Often they were satisfactorily resolved. But when the differences appeared too wide, on issues with a potentially explosive political content, then we saw to it that the foreign offices and the State Department at Cabinet level and if necessary the White House — became involved.

In this way, our differences came to be viewed in a broader political perspective, and their effects on the general health of the Atlantic Alliance were given due and proper attention by the leaders in our coun-

tries, all of whom knew its worth and gave it top priority.

Our first rule was that, in both the European Community and the United States, those responsible had to understand and respect the internal political essentials of the other. Looking at today's issues, this would surely mean that the European Community would not expect the Americans to cancel their grain contract with Russia, and the United States would not seek to persuade, still less to force, Europeans to renege on the pipeline contracts.

The second rule is about timing. If things look like they're getting too hot, don't let too many differences come on the agenda at the same time. Manage it sensibly.

The third rule is never to surprise each other with sudden changes of policy. An essential feature of "damage limitation" — which is the most that can sometimes be aspired to when settling these differences often

born of a real divergence of interests — has to be coherent policies, well understood by each other, on foreign affairs in general and foreign trade in particular; and not to depart from them without due notice, and consultation when necessary.

Difficult? If it is true that politics is the art of the possible, then the duty of statesmen is to make possible that which is necessary.

And the essential ingredient is a high degree of confidence in each other, a tender flower that needs constant nurturing by capable and experienced hands.

Lord Soames was formerly vice president of the Commission of the European Community, responsible for external affairs. He has been a Cabinet minister in five departments of the British government and was the last British governor of Rhodesia.

The Washington Post.

Schmidt Sees It as More Than a Family Affair

By Philip Geyelin

WASHINGTON — Never mind that the United States and its European allies are at each other's throats over the Soviet gas pipeline, steel exports, agriculture pricing and American grain sales to the Russians. These fights are all in the family, we have now been hastily reassured by Ronald Reagan, Treasury Secretary Donald Regan, British Foreign Minister Francis Pym, French Foreign Minister Claude Chirac, and West German Chancellor Helmut Schmidt.

Chirac did not even mean it when he spoke recently of "progressive divorce." In every good marriage, he said a day later, "one talks about a divorce." Secretary Regan welcomed Chirac's and Schmidt's "family analogy" and predicted the squabble would be "smoothed out." President Reagan, arguing that "the family is still a family," was quick to call Schmidt as his witness that we have a "family relationship." Nothing's "crumbling," said Pym, embracing Reagan's embrace of Schmidt.

It makes you feel good all over — until you examine what Schmidt has actually been saying in the United States in recent days, with hardly any national notice. In two speeches (in Houston and San Francisco) while on a tea-day vacation trip, the West Ger-

man chancellor assessed world problems, the workings of the alliance, and the policies of the Reagan administration in terms that go well beyond the "family" theory of the case. True, there are alliance differences, he told a gathering in Houston, and, yes, they should be looked on as "disputes within a family." But we would be "committing a grave error if we concentrated our attention on these family crises only."

What worries him — and by extension, a lot of Germans and many Europeans — is a "two-fold crisis." One is political, having to do with "serious setbacks" in East-West relations and Third World trouble spots; the other is "a serious world economic crisis." And a significant contributing factor in both these crises, he argued, is the power position of the United States in general, and the economic and defense policies of the Reagan administration in particular.

When Schmidt spoke of the gas pipeline fight, his complaint had less to do with the merits than with American indifference to allied sovereignty and a glaring failure to consult: "The maxim for friends especially should be that it is better to discuss a question without settling it than to settle a

question without discussing it." And when Schmidt talked of the world economic crisis, he talked in terms of American economic policy and its "decisive" impact for America's "closest allies." In San Francisco, he declared that, "Every national economic policy of the United States is at the same time a world policy."

He went on to say what can only be described as unfamiliar things about Reaganomics: "This is not the time for the faithful application of new theories or ideologies.... There is no such thing as an economic panacea.... It is misleading to construe a super-Keynesian, deficit-spending fiscal policy as supply-side economics."

Schmidt did not exonerate the Europeans. He bemoaned a general alliance-wide tendency towards "nationalist" solutions, an "every-man-for-himself attitude" that would set the Western world drifting onto "the downhill path of economic disintegration." His biggest worry is that the West will "plunge from recession into depression" through its inability to cope with the oil-price increases, budgetary deficits, and high interest rates.

On defense, he was equally critical and concerned — though not in the way the Reagan administration is concerned. He sees nuclear "parity" between East and West; he thinks that neither the United States nor West Germany "can invest as much money in its defense budget as some of our generals and defense ministers" think wise.

In any case, he "has no time for a Western military inferiority complex." It merely unsettles our servicesmen. Schmidt was not talking about family spats when he was talking about the threat of rampant Western protectionism; the lack of a hard U.S. push for arms control; the salutary effects of détente on "economic relaxation in Hungary, and a profound anti-Marxist cynicism in East Germany"; and of having his house in Hamburg "only 50 miles away from the front Soviet military line."

He was talking bluntly, realistically and publicly (though not, as it happened, to a wide audience) about profound differences in interests and perceptions between the United States and its European allies. If "family" is the analogy of choice among alliance statesmen, then you would have to conclude that the most senior and worldly wise among them was presenting the possibility of a trial separation if not a "progressive divorce."

The Washington Post.

How America Has Been Boxed In by the Crisis in Lebanon

U.S. Needs a Policy That It Can Stick With

By Anthony Lewis

BOSTON — The Israeli government's contempt for U.S. views could hardly have been made plainer than Sunday when Philip Habib had arranged crucial negotiations. Beirut, Israel bombed and shelled the city for 14 hours. President Reagan sternly called for an end to the bloodshed — and two days later Israeli forces launched a massive ground attack.

What should the United States do when a friendly government, one dependent on American support, acts with such utter disregard for U.S. views? It is a hard question, but a look back at the blotted record of U.S. diplomacy in the Middle East indicates at least the beginning of an answer: The United States must have a policy, one that is clear and independent, and make everyone understand that it is going to stick to that policy whatever happens.

Israel has never acted as a subservient client state, and no one should expect or want it to. Israel and their government are much more focused on their interests than any outside power can be, however sympathetic. Nor should Americans feel day-to-day responsibility for another people's fate.

But it is just as wrong for the United States to trim its policy at Israel's behest, and the record is full of such trimming. Camp David provides a telling example. Camp David promised the Palestinians "full autonomy" in the West Bank and Gaza. The United States was a signatory to the agreement, fully committed to its plain meaning: genuine "self-rule," to use Prime Minister Begin's phrase.

But the ink was hardly dry when Begin acted to drain Camp David of any meaning for the Palestinians. He claimed a right to build settlements without limit, and took 30 percent of the West Bank's land for that purpose. He dismissed all but one of the important mayors in the occupied territories.

And to all this, the undermining of its own great diplomatic achievement, the United States government did not say boo. The Reagan administration stopped protesting the settlement policy. It said nothing about the dismissal of the mayors — a practice in cynical conflict with the whole idea of autonomy — until George Shultz, at his confirmation hearings, had the courage to say that he personally hated to see that happen.

During Sunday's bombardment of Beirut, President Reagan said he had "lost patience a long time ago." But he had never said a thing before. Why not? U.S. officials knew that Israel had been responsible for most of the cease-fire violations, but Reagan indicated otherwise at his press conference a few days before. Even the Israeli assault in West Beirut, in contemptuous disregard of Reagan's warning, drew only muted criticism from the White House. Was that delicacy supposed to win Israeli respect?

Israel is not such a tender plant that we have to silence ourselves about unpleasant realities. It is a tough society, and it respects directness

in others. There is no reason for the United States to speak in muffled circumlocutions.

It is not a question of "punishing Israel"; that is when only a bad and a pointless idea. The United States, in its own interest as well as its moral obligation, must deal with Israel as a respected friend. We must never give Israel any reason to doubt the fundamental American commitment to its strength and survival.

The point, rather, is that the United States must have its own policy, and be prepared to speak and act for that policy. If doing so requires recognition of differences with Israel, better that than corrupting pretense.

In Beirut now there are differences. Judging by its military interruption of negotiations, Israel does not want the kind of political solution that Habib may be able to get. Washington should deal openly with that reality. It should also make plain that the United States will not unconditionally continue to supply arms for operations that have ceased to meet the test of necessity for the defense of Israel.

Beyond Beirut the need is for a U.S. vision of the path to peace between the Arabs and Israel. That path can only start with Camp David, despite its ill-starred history. The United States might still get meaningful negotiations going if it made clear that, unlike Begin, it believes the ultimate hope of peace lies in accommodation between Israel and a realistic Palestinian nationalism. Such a policy, far sighted in its goals, gradual in its means, would have broad support in Congress and the country.

The New York Times.

Blame Reagan's Softness for the Innocents

By William Safire

WASHINGTON — It all comes down to how you deal with terrorists who take hostages. In West Beirut, the PLO makes its demand for political recognition by holding more than 300,000 innocent hostages.

U.S. policy in hostage situations, set by Jimmy Carter in Iran and now adopted by Ronald Reagan in Lebanon, is to place the threatened loss of life ahead of any other consideration. This means interminable negotiations with the terrorists. As we have seen, such extended appeasement encourages other terrorists to take advantage of our humanitarianism, until our national interest forces the kind of belated and desperate rescue attempt that led to the tragedy at Desert One in Iran.

Israeli policy, when its citizens or others are taken hostage, has been to negotiate only long enough to prepare a decisive attack on the terrorists. At Entebbe and on other occasions, this seemingly inhumane policy has saved lives in the long run: Hostage-taking is no longer tried against Israel because it does not work.

In Beirut during the last eight weeks, the PLO has employed a new hostage strategy: Using the frightened citizens of West Beirut as a human shield, the terrorists appeal to the U.S. government, well known for its revulsion at the threat of death of innocents, to impose the Jimmy Carter hostage policy on the Israelis.

The ingenious new PLO hostage strategy has been working. For eight weeks, Israeli forces at war with the PLO have been restrained from defeating their enemy by the U.S. negotiator Philip Habib, who has been assuring them that

peace was at hand, that the PLO would leave Lebanon in just a few days, that just a few more details needed to be worked out, that our common objective of an independent Lebanon could be achieved painlessly with one more round of talks.

Of course, no final deal is ever reached — nor will the PLO ever leave Beirut so long as its leaders are assured that the U.S. government will restrain the Israelis from moving in. Habib, who spent nine months failing to negotiate Syria's Soviet missiles out of Lebanon's Bekaa Valley, has not been a closer of deals because he views a cease-fire as a success when terrorists view it as their victory.

The reason Habib has so far failed, while always seeming to be on the brink of success, is that the Reagan administration is publicly stating that negotiation is the only way to get the PLO out. That is a self-defeating lie. The only incentive for the PLO to release its hostage city is the certainty that the soft American hostage policy will be followed by the hard Israeli hostage policy. Anything that undermines that certainty — such as "tough talk" by Reagan warning Israel not to attack — destroys the chances of a peaceful withdrawal.

The sole impetus for the PLO to leave is the real alternative of its destruction. Incredibly, however, Habib's current alibi for the failure to close is the noise of Israeli guns — as if that is not his only bargaining tool. Israeli military pressure, not sweet State Department reason, is why he can "give Habib a chance."

Eight weeks of restraint has brought the Israelis sustained criticism, threatened sanctions by the United Nations and one-sided intervention by the United States. The same observers who told Britain that a final assault on Port Stanley would be inhumane, and would anger Argentines, are now warning Israel that a final assault on the PLO holding West Beirut hostage would offend world opinion.

This week, the Israelis have taken their own war back into their own hands. The misplaced annoyance of the Reagan White House, caused by the president's willingness to be swayed by television pictures, places Israel in this dilemma: Either to knuckle under to White House pressure and hand the PLO a triumph, or to go it alone and take the punishment from those who disagree with its hostage policy.

The first phase of the move into West Beirut has evidently begun; there will be no Israeli Desert One. There could be a pause, a brief opening to give diplomacy backed by reality a final opportunity, which if ignored would lead to the bloodshed nobody wants. Tragically, George Bush and William Clark seem blindly resolved to make the Israelis pay for not obeying orders to wait another couple of weeks or months or years, and the White House may miss the last chance to press the PLO to release the hostage city peacefully.

The New York Times.

AUG. 6: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Japanization

PARIS — Today's editorial in the Herald reads: "Whatever is the matter with our philanthropic contemporary the World? Why does 'oppressed' Korea appeal in vain for the help of the pugnacious apostle of peace? Surely, here is a 'cause' after its own heart. A great military Power 'trampling underfoot' a smaller nation's right to wallow in dense ignorance and unprogressiveness! Against the Russification of Finland, the Anglicization of Ireland, the Germanization of Poland, the Turcofication of Armenia, even the Americanization of the Philippines, our peace-enforcing contemporary will take the field any day without fear or hesitation. Is the Japanization of Korea to go unrebuked?"

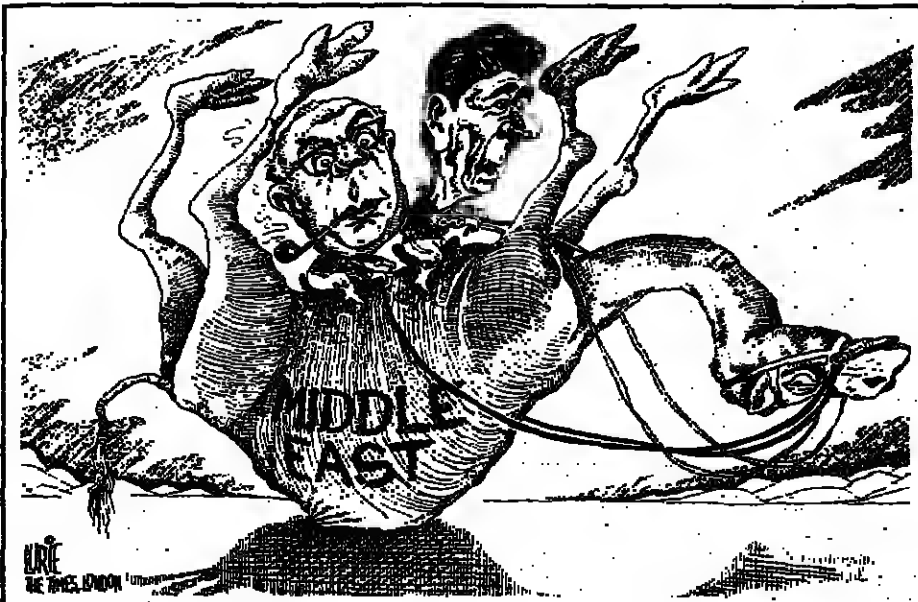
1932: Give and Take

PARIS — Today's editorial in the Herald reads: "The city council of Reigate outside London, desirous of making the Redhill health-center of maximum utility to the community, has opened courses to teach men how to help preserve the health of their small children. With affairs as they exist today, it has frequently happened that the wife, employed in shop or clothing factory, is a more effective bread-winner than the out-of-work husband. The present moment demands a give-and-take between married couples, each accepting the task that will best serve the family economy. Even in normal times the employment it will be useful for the men to have an elementary knowledge of periculture."

JOHN HAY WHITNEY (1904-1982), Chairman
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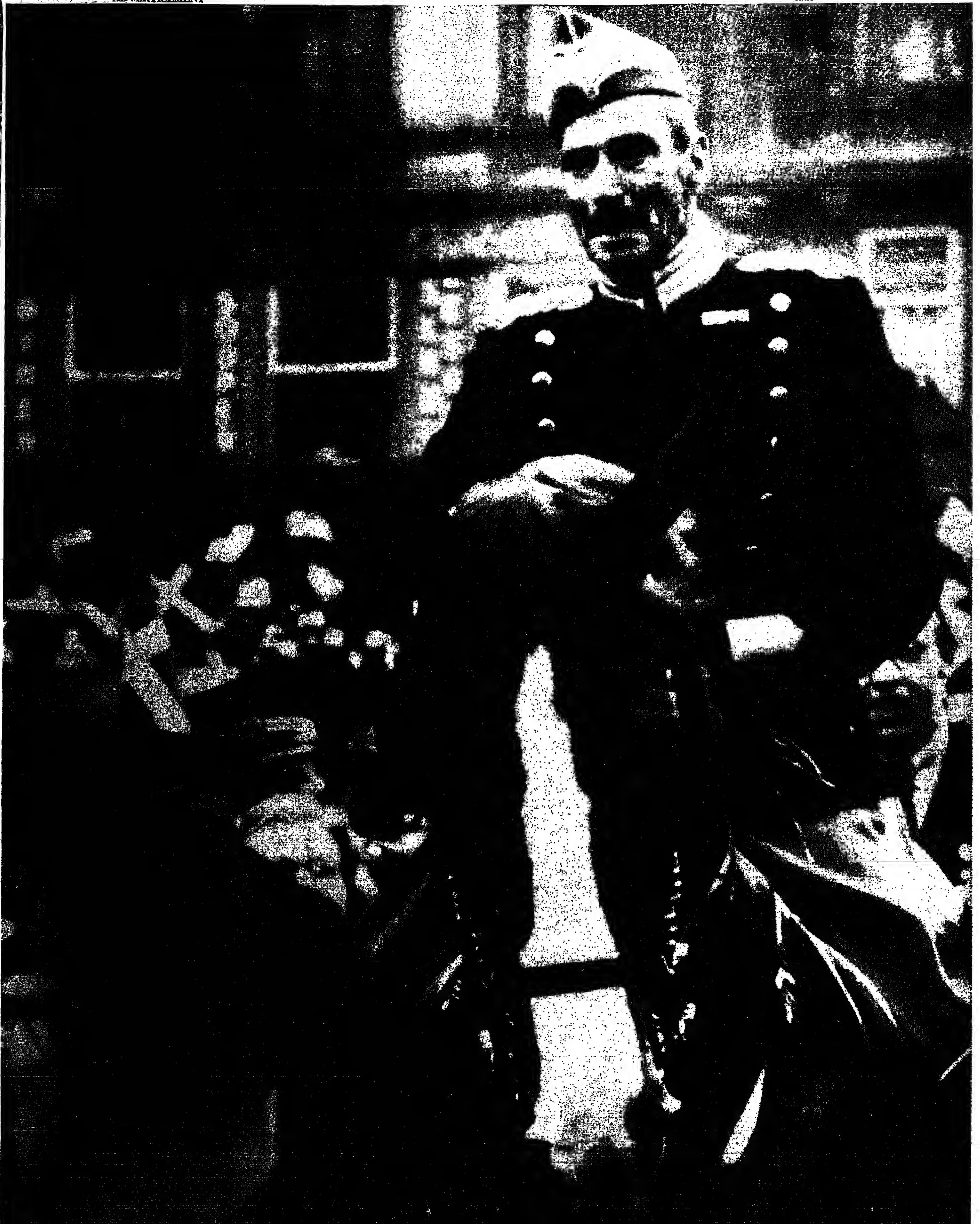


By Mike D'Angelo

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Denmark, October 1943. Don't you remember?

Kurt Bergstrom.

[illegible]

Tables include the nationwide prices up to the closing on Wall Street.

New Zealand Cuts Income Tax, Lifts Levy on Gasoline

WELLINGTON.—Prime Minister Robert Muldoon announced Thursday's 1987-88 budget providing for the substantial income tax cuts he promised when he recently imposed a 12-month wage and price freeze.

At the same time, however, he announced immediate large increases in taxes on tobacco, alcohol, gasoline and other fuels along with rises in additional indirect taxes to make up for the cuts.

In a brief budget for the year ending next March 31, Mr. Muldoon said some of the other policy changes some analysts have said would be needed to boost the badly weakened economy of New Zealand. Instead, he reiterated statements about the need to reduce inflation from its current 17 per cent and said no new measures could be introduced until that goal is achieved.

He also signalled a possible extension to the freeze beyond its scheduled end next June, saying he would not allow a wage and price explosion to wipe out gains against inflation after restrictions have been lifted.

Some analysts said New Zealand appeared locked into a lengthy and difficult period of adjustment in the effects of the world economic slowdown, which has cut deeply into demand for exports.

**or how our clients
doubled their money.**

Fifty years ago, on July 4, 1932, the DJT Average plunged to 41, the lowest point in the century, most observers pronounced that capitalism was past.

These times? BETHELMER STEEL \$8, DUPONT \$22, G.M. \$8 and SEARS \$10.

A poll, at the time, revealed that 86% of analysts were pessimistic; bears; few anticipated a recovery. Bulls, were so lonely then, as they are now.

But again, the "law of contrary reason" prevailed. A roaring bull market began, the Average leaped to 105 by July 4, 1933; bulls were broadcast.

BETHELMER sold over \$47, DUPONT climbed to \$80, G.M. to \$32 and SEARS recovered at \$44.

The same scenario is unfolding today: a survey conducted last week disclosed that 76% of investment advisors are pessimistic. "The most things change, the least remain the same". The Dows will rebound after 1500 within a year for the United States will persist "pulsed and prospering beyond example in the history of man."

Our optimism since the recent Dow lunge has proved rewarding. Many of our recommendations have defied fiscal gravity, realizing dramatic gains: MCI COMMUNICATIONS, was strongly reviewed at \$20; it is now \$44, others can be named. On the "short side", TELETYPE collapsed below "TDY" as "aircon" advised selling while "TDY" was \$160.

And now? Our clients have potential take-over situations and focuses upon a low-priced, untapped resource equity that could appreciate 500% or more.

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New Zealand Cuts Income Tax, Lifts Levy on Gasoline

WELLINGTON—Prime Minister Robert Muldoon announced Thursday's 1982-83 budget, saying that the substantial income tax cuts he promised, which he recently imposed a 12-month wage and price freeze.

At the same time, however, he announced immediate large increases in taxes on tobacco, alcohol, gasoline and other fuels along with rises in additional indirect taxes to make up for the cuts.

In a belated budget for the year ending next March 31, Mr. Muldoon made none of the other policy changes some analysts have said would be needed to boost the badly weakened economy of New Zealand. Instead, he reiterated statements about the need to reduce inflation from its current 17 percent and said no new measures could be introduced until that goal is achieved.

He also signaled a possible extension to the freeze beyond its scheduled end next June, saying it would not allow a wage and price explosion as well as "great economic inflation when restrictions have been lifted."

Some analysts said New Zealand appears locked into a lengthy and difficult period of adjustment in the effects of the world economy in slowdown, which hit not deeply into earnings from technological exports.

German Filmmakers and the Nazi Legacy

by Tony Pipolo

NEW YORK — As recently as a decade ago, few people suspected there was a major renaissance of West German cinema. Now, few can doubt that such a phenomenon has occurred. "Marianne and Julianne" ("Die fliegende Holländer"), directed by Margarethe von Trotta, and "Circle of Deceit," directed by Volker Schlöndorff, are among a dozen West German films on commercial release this year in New York. Wolfgang Peterson's "Das Boot," an anti-war drama, has been successful throughout Europe and is doing exceptionally well here. "Lola," directed by the late Rainer Werner Fassbinder, is his 20th feature to open commercially in the United States.

The central preoccupation of the New German Cinema is the nature and problems of postwar Germany. Repeatedly, the filmmakers probe and comment on their complex society, with its economic success and political conflicts, its materialism and its spiritual disaffections. Yet in the middle of this picture of the present, there has been an unexplored, though crucial, issue: For all their seriousness and their willingness to be critical, few German filmmakers working in the commercial mainstream of the industry have openly confronted the most troubling subject of all: the World War II period and its twin evils, Nazism and the Holocaust. There are signs that this is now changing and that some filmmakers are beginning to approach this difficult historical legacy head on and to make links between the past and the present. But for the most part, these ghosts from the past have been either avoided or indirectly hinted at as the dark specter that haunts the lives of characters and may be at the root of the undefined malaise within contemporary Germany.

Clearly, from the German point of view, the war has been a difficult subject to examine. Chris Sieverich, producer of Wim Wenders' films, thinks that one reason for filmmakers' avoidance of it is artistic. "Many German filmmakers prefer to focus on the present," he says, because they feel the subject of the war "is often prone to sensationalism." But in the postwar decades, filmmakers' reluctance to look at the past was also a reflection of the society's wish to forget. "We were quick to push aside guilt and responsibility," Margarethe von Trotta has said. "The tendency in public life not to admit feelings of guilt at all, or at least to forget them as quickly as possible, still exists."

According to the historian Gordon Craig, author of a recent book called "The Germans," it was not until 1962, when "the ministers of education" issued uniform directives about how the history of the Third Reich was to be taught, that such subjects as Hitler's goals, anti-Semitism and the Holocaust were introduced into the schools' curriculum. Ingrid Scheib-Rothbart, the film coordinator of Goethe House in New York, recalls that in the 1950s, "many teachers who had been members of the Nazi party were forced into a denazification program; and when they were readmitted into the system during the '50s, they were hardly willing to discuss the past."

One filmmaker who consistently criticized the complacency of forgetfulness and tried to establish the continuities between the war years and postwar Germany is Rainer Werner Fassbinder — especially in the trilogy that began with "The Marriage of Maria Braun" and "Lili Marleen" and was completed by "Lola." In "Lili Marleen," set during the war itself, the idolization of Hitler and the hunting down of the Jews are both intrinsic elements in the film. "The Marriage of Maria Braun" begins at the war's end and goes on to draw a parallel between the reconstruction

and economic recovery of West Germany into the 1950s and the fortunes of its heroine, with her mixture of sentimental attachment to the lost past and a ruthless pragmatic determination.

The project of making historical connections is characteristic of Fassbinder's work. "We wanted to show that National Socialism wasn't an accident," he said in an interview discussing a prospective television series, "but a logical extension of the German bourgeoisie's attitudes, which haven't altered to this day." One of the last films he made before his death this year at 36, "Lola," is set entirely in the 1950s. Significantly, the war is reduced to a background element (silent protesters carry signs demanding an end to war and imperialism), while the period itself is portrayed as one of social and political complacency.

The film is set in a small town where corrupt businessmen and politicians work together unobstructed within the free enterprise system until the arrival of an idealistic building commissioner throws ethical priorities in their path.

Like its predecessors, "Lola" can be seen as a moral-political allegory with the town as microcosm of postwar German society. Fassbinder's treatment of the commissioner, with its play on his charismatic appeal, also seems subtly calculated to evoke the Hitler figure. As in his other films, Fassbinder's critique is essentially directed at those who profited from the rebuilding of a society and whose unethical behavior was easily disguised as a necessary stage in the restoration of economic stability in postwar Germany.

Given a period of relative silence, we can only surmise the effect of revelations about Germany's role in the war — when they finally came — on the younger generation, to which many filmmakers of the New German Cinema belong. Even as late as 1979, when the American mini-series "Holocaust" was televised, it sparked a national debate. According to Variety, the program was seen in whole or in part by approximately 15 million West Germans (about half the adult population) and viewers' responses were generally positive. Nevertheless, during the week prior to the "Holocaust" presentation, several demonstrations protested the program as anti-German; certain stations that showed another documentary, "The Final Solution," were bombed.

The impact of learning about the Holocaust for the first time is portrayed in a powerful scene in "Marianne and Julianne." The film is reportedly based on a true story of two sisters, one of whom died in prison after being arrested as a terrorist. We learn very little about the exact nature of Marianne's terrorist activity, but a childhood flashback is intended to explain the motive behind it. At school, the sisters are shown documentary footage of concentration camps. Marianne, deeply sickened by what she sees, has to run to the bathroom to vomit. Later, after Marianne dies, Julianne becomes obsessed with discovering the reasons for her sister's life — and her death. "This 'labor of mourning' can be related to a person, but also to a country," Margarethe von Trotta has said. "It is something of which we Germans after 1945 were not capable."

But such specific reference to the atrocities of the Nazi period are hardly commonplace in most commercial German films. Most filmmakers in their treatment of the war resort to various forms of indirectness, distancing or allegory. Hans-Jürgen Syberberg, for example, examined the roots of Nazism in his seven-hour opus, "Our Hitler." Syberberg's hypothesis is that Hitler embodied the drives and tendencies of German romanticism and was a logical creation of historical forces. But his film is a meditation on German art and thought in the 19th and 20th centuries and was hardly designed to win mass audiences.

Films like "Das Boot," that are designed for a large audience, hesitate to broach the subject critically. Rather than giving us the "other side" of the war, as its ad campaign suggests, it evades all such questions by creating a variation of the Hollywood submarine adventure. The tension and anxiety that ordinary seamen live under is the source of the drama. Who the enemy is hardly matters — and the insignificance of this factor makes it easier to focus on the more universal theme: War is hell.

Other filmmakers employ allegory more obliquely to treat difficult themes. For example, in Werner Herzog's "Aguirre, the Wrath of God," the surface narrative makes no pretense to be about the war period. Nevertheless, the nationalistic aims of the Spaniards, and the murderous, power-driven rise of Aguirre, can be understood as analogous to the goals of Nazism and the rise of Hitler.

For many filmmakers, the year 1977 was crucial in forcing them toward a more direct confrontation with the past. After the outbreaks of terrorism, five well-known German filmmakers, including Fassbinder, Alexander Kluge and Schlöndorff, made an anthology film, "Germany in Autumn," in which they reflected on the escalation of political turmoil in Germany and on the roots of these conflicts in the past. "The impact of terrorist and counter-terrorist activities momentarily ruptured the veil of amnesia," said Miriam Hansen, a German film scholar who teaches at Rutgers University. "Not until 1977 did people collectively realize that the suppressed and repressed history was linked to the more recent German past."

One example of the new willingness to break the barriers of silence is the provocative documentary, "Now... After All These Years." Focusing on the small Prussian town of Rhina — which reportedly was half Jewish before the war — the filmmakers Harald Liders and Pavel Schenkel ask the townspeople some rather blunt questions. Who was responsible for hauling off their Jewish neighbors and for burning down the synagogue? What happened to the town's records and documents relating to its Jewish inhabitants? Many refuse to respond, claiming it is too long ago and should not be brought up again. Others insist everything was done by outsiders. Former Jewish residents of the town who survive the war and now live in New York's Washington Heights have more vivid memories and recall the names of people who were responsible for specific acts.

Such recollections are distressing, but perhaps the most telling scene in the film occurs at a town gathering in Rhina where everybody is discussing the past. An old man attempts to reconcile differences of opinion by saying that terrible things indeed occurred but others have suffered too, and it is time to heal wounds. While the intention behind this banal sentiment seems genuine, one detects the pain of continued resistance to fully recognizing the enormous distinction between suffering and mass-murder.

But whatever the continued resistance of most Germans to discussing such subjects, the very existence of "Now... After All These Years," which won the Adolf-Grünne Prize for best television documentary in Germany in 1982, is an indication that the time may be ripe for more German filmmakers to confront the past more boldly. In some ways, such a project seems inescapable. Through the conflicts of today's Germany, as well as in the consciousness of filmmakers and others, the "repressed history" keeps making its way to the surface. The present, it seems, keeps demanding a full understanding of the past.

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Barbara Sukowa in Fassbinder's "Lola."

Pinchas Zukerman: From the Bow to the Baton

by Lon Tuck

WASHINGTON — "The first actual downbeat is — well, you never forget that. You never forget the actual beat that you go for the first time and the sound comes... It's like a flash of lightning that comes into your head. It's just extraordinary."

About seven years ago, Pinchas Zukerman's career could hardly have looked more like a sure thing. In his late 20s, he already had been one of the world's major violinists for a decade, a protégé of both Stern and Casals. On top of that, he was equally skilled as a violist. He toured widely, playing anywhere he wished.

Now, at 35, much has changed. He is absorbed in a discipline he had not initially set out to master: conducting. He has completed his second season as music director of the highly regarded St. Paul Chamber Orchestra, which he conducted recently at the Kennedy Center here, along with the taping of a television show.

Not that Zukerman has forsaken the fiddle. But he has given up his role as an itinerant virtuoso. He limits his orchestra appearances to four or five of the major groups, plays fewer recitals but still does lots of chamber music.

Watching Zukerman play his violin, you may think it looks easy. Seeing him conduct, it may seem that the talent sprang naturally, fully formed. But that was not the case. It was determination and discipline; it was overcoming a powerful ego; it was a line of influence, from his childhood violin teacher in Israel to Pablo Casals to his wife; it was, in his words, "pains-taking work."

In a sense, he sees his interaction with music as a struggle between intuition and knowledge. He is still working it out in his mind. He is still working it out on the podium.

"I hope I never stop exploring, let's put it that way."

At the age of 12, Zukerman played for a delegation of musicians in Tel Aviv. Isaac Stern recalls the audition:

"In walked this self-confident gamine — and I'm trying to be discreet — he put his feet down, spread his legs wide, took a stand like a linebacker, stuck out his chin, raised his violin and dared us not to like him. But there is a certain talent that just cannot be ignored, and he had it. Everybody agreed."

The plan was to get the American-Israel Cultural Foundation to bring Zukerman to this country to attend the Juilliard School in New York. There were, however, dissenters. Pablo Casals was one.

Eugene Istomin remembers it this way: "Casals said, 'Well, he doesn't need to know anything. With that kind of talent he should just go out and play.'"

"But we said, 'Wait a minute, maestro, how can the boy do that?' And others, including Isaac, had considerable trepidation about that whole proposal. But there were a few little things he needed to learn how to do."

The scholarship was arranged.

Things did not go smoothly.

"It might as well be said," added Stern, "that during the first couple of years here he was not a model student. He didn't work that hard, though he became very good at pool."

"I decided one day to get him to come by and we would work on the Beethoven Concerto. I wanted a composition that he hadn't been taught and that he didn't know well. We started out and 2½ hours later we hadn't gotten beyond the first five lines."

"I was trying to get him to think and to listen. He had such a natural talent that he was getting away with murder. I wanted him to find out what in music is possible. And I would have threatened to hit him in the head if he had said he played a passage a certain way



Pinchas Zukerman.

simply because 'I like it.' At the end of the five lines I said, 'That's enough,' and I expected him either to hit me or to cry."

"Then I told him, 'You are ready to do the rest for yourself.'"

"That is the way Pinkey learned. And over the years he became, for me, a completely individual artist in his own right. And more and more he developed a growing awareness of what he did not know, and his respect for it and a curiosity to learn."

"He is what all the best musicians are; he is interested in music as music."

Zukerman describes his musical metamorphosis.

"Music is not something you just pick up and say, 'I'm going to do it.' Over the years obviously it has been developed by influences from Isaac Stern, from my father, from my teacher in Israel, from Galamian [his teacher at Juilliard], the Budapest Quartet, from Casals... And, it's not a secret, I have good coordination. Eye-to-hand coordination. I can play the instrument, relatively speaking, with an easy fashion. Because it was a God-given talent, I suppose. But nevertheless that talent has to be nurtured, through a lot of painstaking work that you do not necessarily see when you step on stage, especially with me where I am so... I look so... nonchalant on stage. That really comes from a whole feeling of being disciplined; it doesn't come from the air."

Zukerman's dual career of the violin and conducting is a fairly rare one. Only Yehudi Menuhin, among modern violinists, has combined the two on a considerable scale, and he has slacked off.

Zukerman's serious involvement in conducting started with another performing virtuoso who had taken up the baton — his friend, the conductor-pianist Daniel Barenboim, music director since 1975 of the Orchestre de Paris.

"I met Daniel in 1967, and of course he had studied formal conducting, if there is such a thing. He was working with the English Chamber Orchestra in London and he was then beginning to guest-conduct in a number of places around the world. And I happened to be around at the time and we [Zukerman and his wife Eugenia, the noted flutist] were playing trios and sonatas with Daniel and Jackie [Barenboim's wife, the cellist Jacqueline du Pré]. And I remember sitting around many, many days on airplanes and trains and at home, looking at scores, looking at parts, learning the orchestration, and so on."

"So I was becoming attuned to the conducting element. And one day at the English Chamber Orchestra, someone said to me, 'Why don't you do some work with the strings

... some baroque music?' It was late '69 or early '70. And I said, 'Well, I'll try...'

"About a year later, I decided to do a Mozart serenade that included a violin concerto — to see if I could do it. I analyzed the score and went through the parts and it seemed to work. Of course, it was also a horrifying experience."

"The results at the beginning were not what they are today, obviously, because 10 or 12 years later you have the feeling you are accomplishing what you want musically. I had a lot of help at the time. The ECO people — we were friends if nothing else. It wasn't like I was going into the lion's den there. They said, 'Pinkey, I think we need a bat here or we need a little signal there...' And I learned from all that."

"One thing conducting has made me do is realize psychological implications [of a work of music] that I think I was very much on the periphery of. How [does a conductor] deal with deep-rooted ingrained misunderstandings? To interact with people — that's part of being a conductor... There has to be a person who is the commandant, the person who leads the forces."

Stern's analysis: "He does not want to become a conductor in order to have power over other people. To be there just to make people jump. Nor is he like a few of us who have dabbled at it by wiggling a stick spasmodically in a baroque piece while trying to keep our distance when playing our solo passages. This is a serious effort to master what it is to become a conductor."

Istomin's view: "If he could become a conductor with anywhere near the ability he has as a fiddler, I would say he should go ahead. But that's the real question, whether he can be that kind of conductor. He hasn't shown that level yet, but given his experience there's no reason that he should."

"What I mean by comparison is that his friend, Daniel Barenboim, has become a master conductor as well as pianist. He has conducted all over the world. He conducted last summer at Bayreuth. That's what I mean."

"But to me, being the choice, it's more important to be a master at one level than to be almost so at two or three."

The Zukermans' New York apartment, high in a building overlooking the Hudson, is large, spacious and free of the decorator-sickness kind of living they could easily afford. Given the good life he lives in New York, Zukerman is asked, why did he adopt an orchestra in St. Paul, Minn.?

"I wanted to conduct the orchestra, and I have always liked the place," he says. "The

Continued on page 10W

Matsumoto Koshiro IX: From Kabuki to Broadway

by Terry Truico

TOKYO — There's only one actor in the world who can boast of appearing in both "Kanjinchō," a classic Kabuki play, and "The Passion of Dracula."

But the theatrical credits of Matsumoto Koshiro IX, one of Japan's best-known and most versatile actors, are studded with dozens of roles from both West and East. The scion of one of Japan's oldest and most respected Kabuki families, Koshiro made his Kabuki debut when he was little more than a child and has appeared in scores of its roles since.

Since his early 20s, however, he has also devoted considerable energy to popular Western theater, specializing in Japanese versions of Broadway hits. He seems particularly attracted to musicals, numbering among his credits the male leads in "The King and I," "Half a Sixpence," "Sweeney Todd" and "Fiddler on the Roof."

"Don Quixote" in "Man of La Mancha" has become his signature role; he sang it in Japanese in Tokyo and in English in New York. And through Aug. 25, he is again tilting with windmills in a new production of the musical at Osaka's Umeda Koma Theater.

Koshiro likes plays, too, and last month he donned the powdered wig and blue frock coat of Antonio Salieri in the Tokyo production of Peter Shaffer's "Amadeus." "No, I don't have a preference," he says in his flower-filled dressing room. "Whether it's Kabuki or Western work, it's rewarding as long as the play is good. It's just part of being an actor."

Actually, it is part of Japan's recent theater tradition. Since the Meiji Restoration of 1868, when Japan again began to trade goods and ideas with the West, Kabuki actors have been drawn to Western theater. Shakespeare's plays, translated into Japanese, were by far the most popular vehicle at first and they probably still are. Among the current crop of Kabuki stars, Nakamura Kanaburo, a 72-year-old actor deemed one of Japan's living national treasures, has played "Richard III," "Othello" and "Hamlet." He has appeared in "Othello" and "Bando Tamazo," a well-known *omagatō* — a man who plays female Kabuki roles — has done Desdemona.

But Koshiro's Western credits, which include television and theater, are longer and considerably more diverse than those of most Kabuki actors. "Maybe it's something in my blood," he muses.

His grandfather, Koshiro VII, one of the early-20th-century Kabuki greats, appeared in "The Merchant of Venice" and "Othello" and sang in operettas. And his father, Koshiro VIII, who died in January, once taught Kabuki technique to Broadway actors in New York. (The name Koshiro, an old one in Kabuki, is passed on to male members of the acting family. Born Teruaki Fujima, Koshiro IX acted under the name of Kintaro as a child and Sogoro Ichikawa as a young adult. He became Koshiro IX in 1980, when his father took the name of Hakuo. Koshiro's own son, who became a Kabuki actor at age 5, has also taken the name of Kintaro.)

Japanese audiences, Koshiro says, find nothing incongruous in seeing Kabuki actors take on Western work as long as the play has some "universal significance."

"Once a play is translated into Japanese and shown here, it becomes a modern Japanese play," Koshiro continues. "Even with Hamlet and Lear, there must be something of value to the modern Japanese audience. If people want something exactly as it was done in the West, they can bring the Western actor here."

At 40, Matsumoto Koshiro IX looks every inch the successful actor, with a striking face, a shock of thick black hair and a speaking manner that demands attention. His success in Japan can be measured not only by the ease with

which tickets to his performances sell but also by the numerous products he is asked to endorse in this advertisement-conscious country. A skillful raconteur, he seems more down-to-earth than many actors, but — with his studied gestures and resonant voice — his profession is seldom in doubt.

Perhaps it is because he was literally born to the trade. His mother was a Kabuki actor's daughter, and her marriage to Koshiro VIII determined the future livelihoods of their sons. When this Koshiro was 3 years old, the family constructed a *hamanishi*, the traditional Kabuki runway, in the living room, where the toddler could practice making a proper entrance.

Years of rigorous Kabuki training followed, with lessons in traditional dance, chant and music. Did Koshiro ever rebel? Absolutely. "When I was around 12, my friends would tease me about my white Kabuki makeup," he recalls. "I didn't want to feel different from other children. But while they were out playing volleyball after school, I'd be taking lessons in *Gidayu* [traditional chant] or dance."

It was his father's example that helped him to accept and even enjoy his fate. By this time Koshiro was having frequent jousts with his mother about his future, and one night his father happened to hear one. "My father never said that I had to be an actor, and he sat quietly while my mother talked," he remembers. "Afterward the son saw his father on the stage in his heavy *kumadori* makeup, the paint ac-

tors wear for *aragoto* plays, traditional Kabuki works characterized by bombastic words and expansive gestures.

"When I saw how hard my father worked as an actor and contrasted it with the image of him sitting quietly at home, I decided to continue with theater," Koshiro says.

He feels his forays into Western theater enhance his Kabuki technique. "The long Kabuki tradition can often stifle what you do on the stage," he says. "But Western roles keep me fresh." Whether he has, in fact, leaned too far to the West has been a subject of considerable discussion in theatrical circles here. Indeed, one "Amadeus" reviewer praised Koshiro's "charisma" but added, "His Kabuki appearances have been so infrequent that he lacks the experience of other leading actors of his generation."

Koshiro may intend to alter that a bit. Following his appearances in August in "Man of La Mancha," he will return to Kabuki for the rest of the year. Yet he clearly does not appear ready to abandon Western theater altogether, as was rumored last year.

Asked which actors he most admires, Koshiro immediately cites his father. "When he played 'Benkei' [a historic and important Kabuki role], people would say he made the character alive, even though the action is set 800 years ago."

But the next three actors he names are distinctly Western: Olivier, Guinness and Gielgud.



Koshiro plays Salieri.

TRAVEL

Aztec Treasures of the Templo Mayor

by Sandy Rorner

MEXICO CITY — As old things go in Mexico, the Great Temple of the Aztecs is relatively new — under 700 years. It wasn't as though nobody knew it had been there; the chronicles of the conquests of Hernán Cortés described it in lavish and graphic detail. And pieces of it have been turning up in Mexico City for years — when the subway was built, when utility lines were laid.

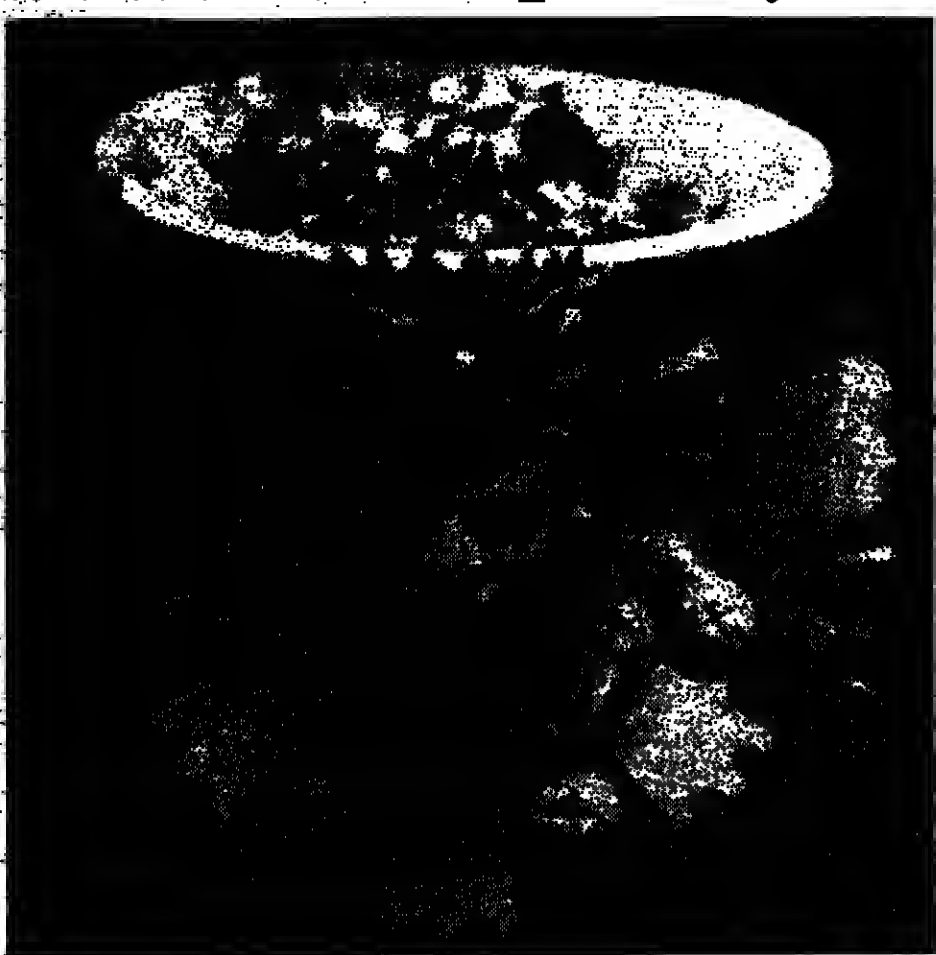
The Spanish, had, it was understood, carefully dismantled the Templo Mayor de Teotihuacán — over a period of about 15 years — step by step, stone by stone, carved figure by carved figure, and, using the Aztecs' own evenly carved volcanic blocks, built in the succeeding decades their own imposing cathedral, today the centerpiece of Mexico City's huge central square, the Zócalo. Bits and pieces of the Aztecs were left behind, perhaps, but nobody expected more.

However, the carelessness of the conquistadores, bent upon their 16th-century cultural rape, has left a newly discovered legacy in downtown Mexico City. When it opens to the public this fall, the temple may yet prove to be the top tourist hit in a city rich in archaeological wonders, ancient plunder and the historical ups and downs of some 4,000 years — give or take a few centuries.

In Mexico City, local tourists are as plentiful as the *Norteamericanos* or the Europeans. Every park bench, every square foot of grass is crowded with unabashedly demonstrative couples, families picnicking, beggars, purveyors of mouthwatering appetizers forbidden to foreign innards: fresh pineapple, coconut, papaya, mango, corn-on-the-cob-on-a-stick, iced drinks of uncertain origin and potability.

The Distrito Federal (Federal District, as the capital is also known) is hot, and the over-present haze of industrial and automobile pollution is aggravated by the volcanic ash from the Chignahuacán eruption, which has been an on-and-off affair for a few weeks.

The midday sun beats down on the Zócalo, which is one of the largest city squares in the world, crisscrossed by the main thoroughfares of the city. In the center of the square, a group of tourists, or often two or three tourists and a guide, mix with civil servants from the Palacio Nacional or one of the other government



Terra-cotta vase for offerings found at the Templo Mayor.

buildings around the square. Despite a heavy police contingent, traffic is not to be believed. There are no pedestrians, only targets.

In one corner of the square, next to the cathedral, there is a corrugated metal wall. At one point, where there is a hinged section, there is also a huddle of people. Some of them appear very angry. As the hinged section is moved to provide an opening, a few people are permitted inside. Those who are not permitted inside do not hide their outrage.

"It is a treasure of the Mexican people," shouts one man in Spanish. "Why are the *Norteamericanos* let in and the Mexicans not?"

In fact, most of the people who are let in are Mexicans. A few are not. For two hours a week, now, certain select outsiders — friends, relatives, associates of insiders, some journalists and a few tourists who appear to have made a sizable contribution to certain persons at the hinged section of wall, have been among the first to see the unearth-

ing of this most exciting, if frustrating, facet of Mexico's burgeoning archaeological industry.

The Spanish conquerors did not realize that the Aztecs (following in the ways of their Indian predecessors) built pyramidal temple over temple over temple over temple as often as administrations, rulers or cultures changed.

And not realizing this, the Spanish missed an interior temple, the sacrificial stones upon which a huge toll of Aztec prisoners, warriors and children were slain to propitiate bloodthirsty deities. They also missed the receptacle into which bodies tumbled after their hearts were cut out, as well as some 6,000 objects that had been offered to the Aztec gods and goddesses. In fact, they missed an entire substratum of buildings and temples.

Modern Mexican archaeologists have known for some time that more lay beneath the Zócalo than tradition held, but the proof eluded them until February, 1978, when an electric company ditch digger (identified by the National Geographic magazine as Manó Alberto Espelido Pérez) hit what he thought was a rock with his shovel. And by that act, the ditch became a dig.

What Espelido uncovered was a carving of the sister of the Aztec god of war. It was no surprise that he and his colleagues promptly notified the government of their discovery.

"It is," says Francisco Hinojosa, a Templo Mayor archaeologist, "what is required."

Hinojosa, young but a veteran of 10 other digs around Mexico City, leads the still-treacherous way on rickety planks around the Templo Mayor excavation. From a small digging under what had been a parking lot, it has expanded to about 1,600 square yards, requiring the condemnation and dismantling of a number of buildings, mostly of indifferent architecture and no significant antiquity.

At one end of the excavation area is an incomplete building that will eventually become the Templo Mayor Museum, housing the artifacts that have been discovered.

But today the museum is still a shell, and the carvings of jade and stone, the intricate carved beads of turquoise, the ceramic receptacles, the obsidian, the shells, the mother-of-pearl and turquoise inlaid offerings are on display elsewhere, first in Europe, then in New York this summer and then back to the Zócalo when the serpent heads, the jaguar carvings, the steps, the walls all become open for public viewing in September.

Mexico is an archaeologist's heaven with 11,000 or so active digs and countless others left incomplete or not yet started. As a rule of thumb, one may assume that where there is a smooth mound on a mountain, there is a temple — probably a pyramid, and who knows what else — beneath.

Some regret the slowness of the investigations, but inflation, overpopulation, pollution and poverty command priority on national resources. Nevertheless, there is a sense of excitement about the unearthing of the great temple, which is expected to draw floods of tourists.

For the archaeologists, the excitement is tempered by a sense of frustration. They have excavated all they can. What is still buried, perhaps, for example, the legendary palace of Moctezuma himself — lies inaccessible beneath the cathedral or the National Palace. There is just the merest flash of coveyness in Hinojosa's eyes as he shrugs once more and sighs and says, "It is finished... here."

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The Tastes of Mexico

by Barbara Bell

MEXICO CITY — The treat about Mexican food in Mexico is that good as it is elsewhere in the world, it tastes infinitely better here.

What's the secret? Tender corn tortillas patted out by old ladies and lovingly cooked on their grandmothers' cast-iron comales? Bright green cilantro — also known as coriander and Chinese parsley — cut so recently from backyard gardens that it practically crunches with flavor? Tangy limes, served in wedges with everything from soup to beer? Eggs so fresh that even non-breakfast eaters swear by them every morning?

Fish from unpolluted waters? Sauces that have never seen a can or bottle? Fresh red chilies, green chilies, yellow, black and brown chilies — each with its own seasoning purpose — in such a wealth of shapes and sizes that even Mexican cooks can barely keep them straight?

According to many culinary authorities, the excellence and inventiveness of Mexican cooking are equaled only by the French and Chinese. But regional differences make it possible to eat meals that vary so totally from, say, Hermosillo in the northwestern state of Sonora to Mérida, the capital of Yucatán, that the phrase "Mexican cooking" seems inadequate to cover both.

And a single dish that appears on menus all over the country, *sopa Azteca* or Aztec soup, for example, can differ so much even from one restaurant to another that a traveler can order it over and over again without becoming bored.

My dream is to help set up government-sponsored gastronomic centers, like the cultural and craft centers that already exist all over Mexico, to preserve regional specialties and encourage visitors to sample them," says María Dolores Torres Izabal. A culinary expert who has given classes in Mexican cooking and written food columns for a Mexico City newspaper, Torres Izabal talks animatedly about her country's geography of cooking.

"I began eating in the state of Sonora, in the north, where stewed food ends and simpler, roasted meat begins. Tortillas made from flour instead of corn are common there, also very small tamales," she explains.

"The state of Sinaloa, on the Pacific coast, cooks a lot of fish, as do the southern part of Veracruz and Campeche and Yucatán, all on the Gulf of Mexico."

"In north-central Mexico, from Durango to San Luis Potosí, one finds more elaborate foods and more sauces; also a lot of cold meats. Puebla, Oaxaca and Michoacán have wonderful tamales made from ground fresh corn kernels; Puebla is also famous for its various mole sauces. Jalisco boasts its *pozole*, a pork and hominy soup."

"And then in Yucatán there is a *cochinita pibil*, barbecued pork cooked in banana leaves, and so many other extraordinary dishes."

Torres Izabal points out the strong influence of foods brought from Spain to Mexico at the time of the Conquest. "Milk, cheese and cream all quickly found their way into Mexico's cooking," she says.

"I love rich desserts," she confesses, explaining that while native Mexicans already used honey as a sweetener, the Spaniards introduced them to cane sugar. That, Torres Izabal says, led to "very baroque desserts," which

were made even more elaborate during Mexico's colonial period, when Catholic nuns combined the country's many varieties of rich tropical fruit with cream, cinnamon, sugar and meringues of honey and almonds.

Such lavish desserts still exist in Mexico, especially in private homes.

After a hearty meal, though, such as *quesadillas* (fried tortilla turnovers filled with cheese), *creviche* (chunks of raw fish marinated in lime juice and other seasonings) and roast kid with guacamole on the side at a Mexico City restaurant institution called Prendes, even *café de olla* (thick coffee with cinnamon and raw sugar, traditionally served in a small clay pot) can seem to be too much.

Not the least of the pleasures of Mexican cooking are the surroundings in which it can be eaten.

Imagine juicy turtle steak on a breezy veranda almost touching the Sea of Cortés (Gulf of California); *enchiladas con mole* at a garden table in the sun at Mexico City's National Museum of Anthropology; *poz-chuc*, slices of marinated, broiled pork, served with purple onions, red hot chili *habanera* sauce and black beans under a thatched ceiling by the restaurant that invented the dish, Los Almendros, in Mérida; *nachos* (crisp tortilla appetizers) with cheese and guacamole at a poolside overlooking a long stretch of empty Pacific beach near the southernmost tip of Baja California.

In the following recipes, the *sopa azteca* is that served by chef Anselmo Martínez Barrera at the restaurant El Galeón in Cabo San Lucas, Baja California Sur, and the *creviche* is from Restaurant Prendes in Mexico City.

SOPA AZTECA

6 to 8 corn tortillas, cut in ¼-inch strips and fried, then drained on paper towels

1 cup shredded Chihuahua cheese (or similar white cheese that will melt)

2 chilies poblanos, fried, peeled (or canned green chilies), cut in strips

1 avocado, peeled and sliced

3 cloves garlic, minced

1 onion, cut in eighths

1 teaspoon oregano leaves

1 crumbled bay leaf

1½ tablespoons olive oil

2 tomatoes, peeled and coarsely chopped

4 cups (1 liter) chicken broth

2 tablespoons tomato paste

4 drops Worcestershire sauce

1. Heat olive oil; fry garlic, onion and tomatoes. Add chicken broth, oregano, bay leaf, tomato paste and Worcestershire sauce. Boil 10 to 15 minutes, to reduce. Meanwhile, distribute among four ovenproof soup bowls the fried tortilla strips, chilies, avocado slices and cheese.

2. Pour broth mixture into the bowls and heat them in oven until bubbly. Serve at once with quartered limes on the side.

Yield: Four servings.

CEVICHE

1. Fillet one red snapper (or other white fish) and cut in small cubes. Place in glass bowl, cover with lime juice and marinate overnight.

2. Pour off juice. Add to taste: olive oil, pimento-stuffed green olives, chopped; powdered oregano; canned jalapeño pepper, finely chopped, without seeds; diced avocado and chopped tomato, onion and coriander.

3. Stir gently and chill before serving.

Overseas Visits to U.S. Drop . . .

by William E. Schmidt

NEW YORK — Fewer overseas tourists have been coming to the United States this year than last, reversing a trend of steady increases over two decades.

Federal officials and private tour brokers say the decline has largely been a result of the falling value of most major foreign currencies against the U.S. dollar, which this year has reached 10-year highs against the British pound, the Italian lira and the French franc.

This in turn has driven up the costs of food, lodging and travel in this country for overseas tourists, especially Western Europeans, and many of them have apparently elected to forgo vacations in the United States this year.

Last year, Western Europeans accounted for 43 percent of all overseas visitors in the United States, and they were estimated to have spent \$2.16 billion here. As a rule, people from overseas are highly prized in the travel industry because they spend four times as much as domestic travelers.

According to the U.S. Travel and Tourism Administration, which promotes travel in the United States to overseas markets, the number of overseas travelers arriving here in the first three months of 1982 was down about 3 percent from a year ago, when 4.5 million overseas travelers cleared U.S. customs checkpoints. It is the first such decline recorded by the agency since it began keeping detailed records on overseas visitors in the mid-1960s.

Paul Hall, the travel research analyst for the tourism agency, said he expected the trend to continue through the rest of the year. He said about 80 percent of the total number of foreign arrivals were believed to be visiting the

United States as tourists. The rest are on business or are coming to study.

In addition, the State Department reported that applications in Great Britain, Japan and Germany for nonimmigrant visas to the United States declined this spring for the first time in many years.

The most dramatic decrease was in England. Over a six-month period ended March 31, visa applications filed at the consular section of the U.S. Embassy in London declined 26 percent from the same period a year ago, according to John Canfield, a spokesman for the Bureau of Consular Affairs in Washington.

New York City officials say spending by visitors declined to \$2.1 billion last year from \$2.25 billion in 1979, despite inflation.

"Three years ago I was paying \$50 per room," said Hubert She of Hong Kong, who was attending a jewelry convention in New York City. "Now it's \$90. It gets more expensive each time we come here."

He added that his advice to overseas visitors who wanted to save money in America was, "Leave the country as soon as possible."

Among overseas visitors traveling in the United States this summer, there are ritual complaints about the cost of the food, lodging and travel. The only thing that most agree is less expensive here than overseas is gasoline.

"It is very, very expensive in your country," said Gerard Boonen, a Dutch tourist visiting the Grand Canyon with his wife, Jenny. "But we started planning our trip a year ago, and even with the exchange rate it was too late to change our mind."

"I came here two years ago and it is much more expensive now," said Patricia Watters, a student from Exeter University in London who was visiting the observation deck at the

World Trade Center in New York City. "The nice restaurants and the pubs and the taxis are infinitely more expensive than in London."

At the Grand Canyon, which has consistently drawn more foreign visitors than any of the other national parks, concessionaires report that foreign business is off sharply this summer, forcing tour operators to cut back their schedules and lay off some bus drivers.

The Travel Industry Association of America, which represents brokers who package tours for overseas visitors, says there has been an especially noticeable decline in business among French, German and British tourists.

"The European markets are down especially, because the major currencies have taken a beating against the dollar," said William Strickland, an official with the Travel Division of American Express. And he says that those foreign visitors who are traveling in this country are choosing cheaper tour programs, with fewer meals and with hotels that are first class rather than deluxe.

In New York City, the hotel industry, which can provide 100,000 rooms, is usually the first to reflect a decline in visitors. The occupancy rate in the first four months of this year was 64.7 percent, as against 66.6 percent in the same period last year and 81.4 percent for all of 1979, according to Pannell, Kerr & Forster, a major hotel industry audit concern that surveyed 44 hotels with 29,417 rooms.

Since the mid-1960s, when the Commerce Department began keeping detailed records, the number of overseas visitors arriving here has increased at an annual rate of about 6 or 7 percent, said Hall. Last year, as the international economy weakened, the increase slowed to just 3 percent.

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More Americans Head for Europe

by Steven Ratner

CHAGFORD, England — With help from the sultry weather, the paneled lounges and bucolic grounds of the mock-Tudor Gidleigh Park Hotel have been filled with travelers eager to sample the inn's famous cooking and wines.

But this summer, conversations among the guests carry a predominant American accent, largely because Europe has become something of a bargain for traveling Americans.

"We're doing more American arrivals each month this year than we did last year," said Paul Henderson, who runs the small inn with his wife, Kay. "I think it is the strength of the dollar, which is almost the key factor in determining how expensive a trip is."

The experience of the Hendersons, Americans themselves, is just one of many such accounts, all of which point to a modest but significant increase in American tourism in Europe.

The British Tourist Authority says the number of visitors from North America is up about 10 percent so far this year over 1981. In Europe as a whole, according to the Organization for Economic Cooperation and Development, about 9 percent more U.S. citizens visited in the first five months of 1982 than in the comparable period in 1981.

In Madrid, where the peseta's value against the dollar is near a record low, a consular official at the U.S. Embassy said, "There is definitely an increase in Americans here, even after the World Cup soccer matches ended." In Rome, officials project that Americans will spend about 4.34 million dollars visiting Italy this summer, up about 5 percent over last year.

Like Henderson, the experts nearly all say that the strong dollar has played a considerable part in the upsurge. Although currencies have been fluctuating this summer, the dollar has remained high and, perhaps more important, it was high last spring when Americans were planning their summer holidays.

"It's like all of Paris is on a 20 percent discount sale," said Heidi Yorkshire of Los Angeles as she stood outside the Galeries Lafayette department store.

The drop in the French franc has been particularly dramatic. In 1979, a dollar bought just four francs; a few weeks ago, seven francs could be had; and today, a tourist's dollar can still be exchanged for 6.7 francs.

As a result, a Hermès scarf that cost 320 francs, or \$79, in 1980 can now be had for 440 francs, or \$66. To dine at Taillevent, an American couple need bring \$70 (plus the cost of wine), as against \$90 just two years ago.

Other currencies have also depreciated. The British pound touched \$2.45 two years ago and now is drifting around \$1.75. The West German mark has dropped by nearly 30 percent in three years. All told, the dollar has risen by about 35 percent since 1979.

Here at Gidleigh Park, the cost of a stay, about \$110 a night, is no greater in dollars than it was in 1980, although the Hendersons have raised their prices by 25 percent over the last two years.

In Tuscany, Joy Lewis of Milwaukee said, "I was here four years ago, and I'm paying the same price for my cappuccino as then, because of the exchange rate."

In Rome, a Gucci wallet can now be had for about \$22, down from \$29, although the price in lire has risen about 20 percent, to 30,000.

But only a marginal number of the Americans who have come appear to have done so purely because of the better dollar.

"We've been planning to bring the kids here for two years now," Joseph Dillon of Denver said on a visit with his wife and three children to Buckingham Palace. "But the better exchange rate sure is nice."

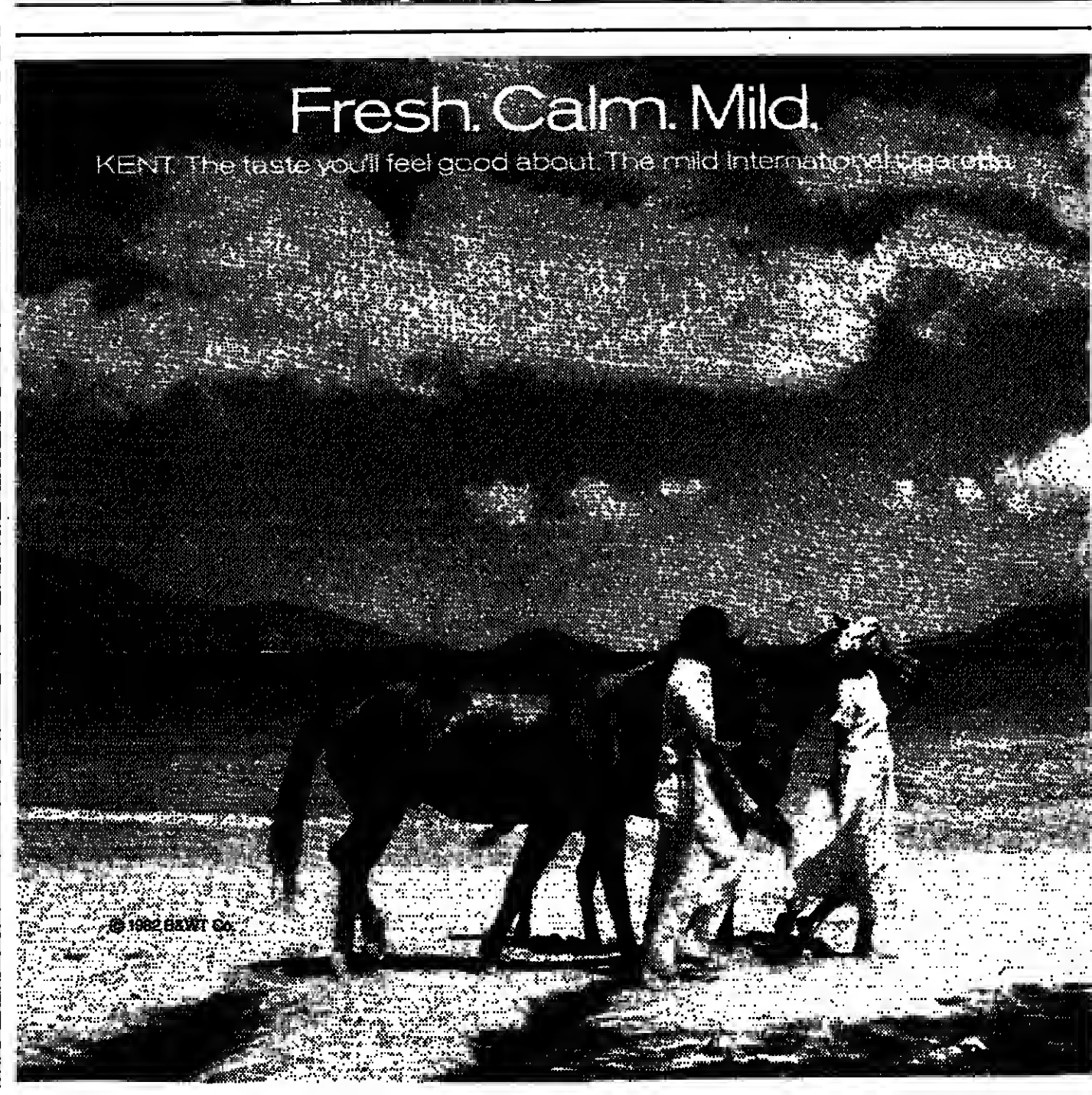
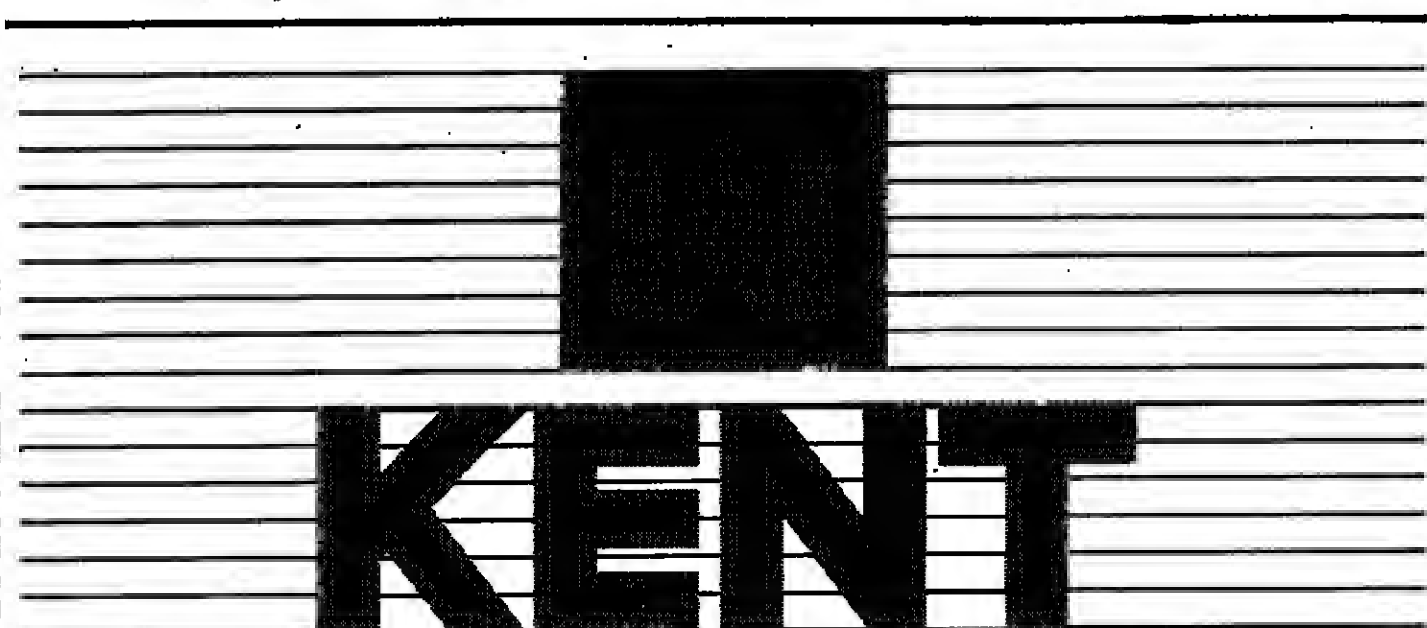
Whatever the reason for the larger numbers, hoteliers, restaurateurs, purveyors of souvenirs and others in tourism have been pleased. For many tourist-related businesses, both 1980 and 1981 were difficult.

"Last year, the coach operators were running their tours with practically empty buses — 10 or 15 people," said Ingo Schenning, president of Incoming Touristik in Munich. "This year, the buses are full."

And American tourists, with their relatively fat wallets, are particularly welcome. "American tourists are generally high-quality," said a spokesman for the National Tourist Office in Rome. "They come all year round; it is not all confined to the high seasons."

To some, Americans and the exchange rate have special significance because the 400,000 U.S. troops based in Europe are paid in dollars. "In the late 1970s, with the dollar at an all-time low, those people in particular just weren't leaving the official Army recreation areas," said Berndt Goebel, director of the tourist bureau in Rothenburg, West Germany. "Now we notice an increase both from overseas and from Germany-based Americans."

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BUSINESS PEOPLE

Changes at Havas Prompt Speculation

Top-level changes at France's Havas group have led to speculation that President François Mitterrand will try to make more use of the state-controlled advertising agency and publishing concern to prop government policies.

Named president of Havas was André Rousselet, a friend of President Mitterrand and director of his private cabinet. The outgoing chairman, Pierre Nicolas, has been named vice president of the Council of State.

An executive of a U.S. advertising firm in Paris said the appointment "makes our lives difficult." It is a sign that he (Mitterrand) has more control of Havas and will use it more as a tool, a political and economic tool.

The company, which had turnover of about \$1 billion in 1981, is "well run and there is a lot of good talent," the executive said. In France, where it receives the bulk of the state advertising business, the company has few problems. However, "they've been terribly unsuccessful in the U.S. and have problems in Europe because they have a bad understanding of international business," he said. Industry sources believe that the top priority of the new chairman will be to lead Havas to international success.

A Havas spokesman said Mr. Rousselet was not available for comment.

André George Bowing Out at EIB

The resignation of André George as treasury and finance director of European Investment Bank will remove, at least temporarily, one of the Euro-market's best known bankers from the scene.

The EIB is the largest borrower in the Euro-market, with borrowing totaling \$2.4 billion in 1981 alone, and also has borrowed extensively in most other major markets. There are few major investment bankers who have not sat down across a desk from Mr. George.

He has held the post since 1974, and his resignation takes effect at the end of the year. Though only made public this week, the bank's board has known of Mr. George's intention since June. The bank said that Mr. George, who held the highest post on the borrowing side at EIB, intended to pursue his career outside the bank. He was on vacation in Japan and unavailable for comment.

Among bankers, Mr. George, 59, has won considerable respect. "EIB is a prestigious borrower that everyone is keen to business with," said one New York investment banker. "And he has had a reputation over the years for doing the best he can for EIB. He used a lot of different capital markets and used them successfully."

The bank would not say who was in the running to succeed Mr. George, but a spokesman said speculation that his successor would come from France was not accurate. He said that a banker from any EEC country could succeed Mr. George. The successor, who apparently most likely will be from outside the bank, will be named in September.

"The replacement will have to be a top-notch operator," the spokesman said. As for Mr. George's future, there seems little doubt, as one banker said, that "André George will find himself with a number of interesting job opportunities."

Other Appointments

Daniel P. Weadock was elected a senior vice president of International Telephone & Telegraph Corp., New York. He also has been appointed deputy group executive, Europe, and executive vice president, operations, at ITT Europe Inc., a Brussels-based subsidiary. Previously, Mr. Weadock was executive assistant to the president of ITT Europe. He also served as president of ITT Africa and the Middle East.

Dow Banking Corp. has named Arthur Bolinger to the new position of deputy chief executive. He is based in the Zurich head office, where he previously was executive vice president in charge of investment management, foreign exchange and money market operations. Dow Banking is 75 percent owned by Dow Chemical Co. of Midland, Mich.

Named director general of the American Chamber of Commerce (United Kingdom) was Harry Cressman. He succeeds Forbes Stager, who went into private business. Mr. Cressman previously served on the board of Heron Corp. and as chairman and chief executive of B.S.G. International.

David C. McCutcheon has joined the international corporate finance department of Salomon Brothers International in London. In his new position, Mr. McCutcheon, formerly an executive director at Credit Suisse First Boston Ltd., will concentrate on the securities concern's new North American business, with an emphasis on Canada.

Effective Oct. 1, Brian Slattery will become managing director of Guinness Ireland Ltd., a Dublin-based subsidiary of Arthur Guinness & Sons, the London brewer. He succeeds Mark Hely Hutchinson, who is leaving Guinness to become chief executive of the Bank of Ireland. Mr. Slattery, chairman of a number of subsidiary companies within the Guinness Ireland group, currently is director in charge of the beer division of Guinness Ireland.

James M. MacGregor was appointed deputy manager of Royal Bank of Scotland's Hong Kong branch and head of its Hong Kong-based representative office for Southeast Asia. He succeeds James H. Smeal. Mr. MacGregor previously was in the bank's international division in London as assistant manager.

A.E.H. Williams has been appointed managing director of BP (Far East) Ltd., a Tokyo-based unit of the British Petroleum group. He will take up his appointment on Oct. 1 and will succeed E.R.J. Hill, who plans to retire. Mr. Williams previously was with BP Chemicals as general manager, production, responsible for the company's factories in the U.K.

National Commercial Bank of Saudi Arabia, with head offices in Jeddah, has named Patrick J. Bradley to the new position of assistant representative in the London office. He previously was in the bank's Eastern Province corporate finance group.

Michael Roberts has been appointed a director of London-based Samuel Montagu & Co. Mr. Roberts will be based in the company's new Hong Kong branch, where he will be responsible for corporate finance activities. He previously was an assistant director of Wardley Ltd. in Hong Kong.

Alan S. Boyd was named chairman and president of Airbus Industrie of North America, the U.S. marketing arm of the European aircraft manufacturer. Mr. Boyd was president and chairman of the National Rail Passenger Corp., known as Amtrak, the federally subsidized U.S. rail passenger system.

—BRENDA HAGERTY

British Trying To Sell U.S. On Videotex

By Bob Hagerty

International Herald Tribune
LONDON — Mike Aldrich says he isn't afraid of IBM.

Mr. Aldrich, the chief executive officer of Rediffusion Computers Ltd., considers his company, a unit of Rediffusion PLC, the world leader in the budding field of supplying videotex systems to business. But, he says with a grin, "I think we'll pass that laurel to IBM," which in June announced it will sell in the United States videotex products it has sold in Europe since early 1981.

Rediffusion and several other small British companies figure that the presence of International Business Machines Corp. in the market is bringing credibility and marketing power to the business.

Videotex can use the publicity. In Europe, especially in West Germany and in Britain, where it is generally called videotex, the technology is catching on as a means of business communication and information retrieval. In the United States, however, videotex "has not really even penetrated the Fortune 500 mentality," says Mark Plakias, an analyst at the New York consulting firm of Link Resources.

Timing, Form Uncertain

Indeed, within the brave new world of office automation, videotex is an odd contestant, using such primitive implements as the telephone and the television set. At its simplest, a videotex system comprises a few modified television sets connected by phone lines to a computer. Users call up information by tapping buttons on a hand-held key pad.

Developed in the mid-1970s by the communications authorities of Britain, France and Canada as a way to bring computerized shopping, banking and information services into the home, videotex has grown much faster in



Rediffusion's Mike Aldrich summons videotex data.

the business market than in the residential market.

There seems little doubt that the technology will catch on with U.S. companies — and eventually with a mass home market — but when and in what form are major questions.

The British suppliers expect IBM to answer some of those questions and educate U.S. companies on the merits of videotex.

Mr. Aldrich says he expects international sales of videotex software and hardware, including terminals, to soar to between \$1 billion and \$2 billion a year by 1990 from around \$50 million at present. Rediffusion, which had revenue of £17.6 million (\$30.4 million) last year, would be happy with 8 percent to 10 percent of that expanded market, he says.

"No company, including IBM, is going to win everything they bid for," says William Shrimpton, president of British Videotex & Teletext, a joint venture of Logica Ltd. and British Telecom that is marketing Britain's Prestel videotex technology in the United States.

Trying to go head-to-head with IBM would be folly, says John Pearce, managing director

of Aregon Group Ltd. of London, which has set up an office in the United States and already sold five videotex systems there. Companies like Aregon, he says, can compete by offering more specialized service and staying ahead in developing products.

Rediffusion's only sales in the United States so far have been to its new U.S. distributor, a small Salt Lake City concern, Blodgett Computer Information Systems Inc.

Future in U.S. Questioned

While acknowledging the lead small British companies have taken in corporate videotex, some analysts question whether they can make it big in the United States.

"The market is essentially bleak for the small European players," says Mr. Plakias. He says the British will "have a small window of opportunity" in the United States over the next few years. After that, he sees a "heavy shakeout" of suppliers as such powerful companies as Wang Laboratories Inc., Apple Computer Inc. and IBM offer videotex capability. (Continued on Page 13, Col. 3)

Italian Bankers Plan to Liquidate Banco Ambrosiano

MILAN — Senior bankers from a seven-member group trying to rescue Banco Ambrosiano plan to force the bank into liquidation and reconstitute it as Nuovo Banco Ambrosiano, a spokesman for Banco Popolare di Milano said Thursday.

The group was to meet late Thursday at the headquarters of Banco Popolare.

A forced liquidation has been resisted by the Bank of Italy because of its possible effects on international confidence in Italy's financial system. But some bankers say they can no longer see any other solution.

The bankers said the seven-bank pool will form the main shareholders of the new banking group, which would not include the old group's overseas subsidiaries and associates. Talks will focus on the sharing of control between the three state-sector banks and four private banks making up the group, the bankers said.

The bank group has been trying to rescue Banco Ambrosiano following an investigation that disclosed some \$1.4 billion in dubious debts.

Earlier Thursday in Luxembourg, Banco Ambrosiano accepted the resignation of all eight members of the board of its Luxembourg subsidiary and named

three new directors but gave no hints about how the unit's heavy debts will be handled.

Banco Ambrosiano Holding S.A. (Luxembourg) has been declared in default on debts estimated at around \$400 million. Its chairman, Roberto Calvi, who was also chairman of Banco Ambrosiano of Milan, was found hanged under a bridge in London on June 18.

Meeting here under tight secrecy, shareholders of Ambrosiano Holding appointed three new directors to manage the affairs of the company, officials said. Ambrosiano Holding's manager, Angelo de Bernardi, named the three as Henri Magnat, a Swiss banker, Logo Kovalevich of Milan, an Italian chartered accountant and company director, and René Puttemans, a Belgian banker who is director of the Luxembourg Association of Banks and Bankers.

Secret Shareholders

Banco Ambrosiano owns nearly 70 percent of Ambrosiano Holding's 318 million Swiss francs (\$151 million) in capital and reserves. The identity of the unit's other shareholders remains secret; there has been speculation in financial circles that the Vatican may hold a stake.

Speaking to journalists after the meeting, Mr. de Bernardi refused to identify any other shareholders present beside Banco Ambrosiano or even to disclose how many people were there. He would not give details of the discussions or comment on how the company might proceed with regard to its huge debts.

The Vatican bank, Istituto per le Opere di Religione, has a publicly disclosed stake of around 1.5 percent in Banco Ambrosiano, which has granted large loans to Panamanian-registered companies that financial sources say are controlled by the Vatican bank.

Dow Average Slips to Lowest Level in More Than a Month

Compiled by Our Staff From Dispatches

NEW YORK — Prices on the New York Stock Exchange closed at their lowest level in more than a month Thursday, reflecting growing pessimism about the outlook for interest rates and the economy.

The Dow Jones industrial average was off more than six points

throughout the day and finished with a decline of 7.61, to 795.85, its lowest finish since June 21, when the average closed at 789.95. The low for the year so far is 788.62.

Declines led advances by around five to two, and volume

quicken to about 55 million shares from 53.4 million Wednesday.

Analysts said the market came under pressure from several factors, including signs that interest rates may not decline any further in the near term, Israel's siege of Beirut and problems facing the \$98.9 billion tax bill in the House of Representatives. House Speaker Thomas O'Neill said the tax-increase bill is dead unless President Reagan offers his full support and lobbies Republican congressmen vigorously.

"Many people appear to be throwing in the towel," said Jack Baker, who heads equity trading at First Boston Corp. He summed up

the sentiment of numerous market professionals when he said, "There are signs that the bulk of the interest rate decline — for the present, at least — may be behind us."

Analysts said investors were disappointed that the market failed to muster a stronger rally when interest rates declined earlier this week. The industrial average gained 13.51 points Monday after major banks cut their prime lending rates to 15 percent from 15 1/2 percent but since then has given up a total of more than 26 points.

Another bearish factor, said Michael Metz of Oppenheimer & Co., was heavy selling by a large pension fund that is switching much of

its portfolio out of stocks and into bonds.

Drug stocks replaced some computer makers as the worst performers in the market. Eli Lilly, which announced Wednesday that it would suspend sales of its controversial Orlaflex drug, slid 4 to 49 1/2 on turnover of 973,200 shares. Pfizer fell 1 1/2 to 53 1/2 in active trading. Bristol-Myers 1 1/2 to 55 1/2, SmithKline-Beckman, trading ex-dividend, 1 1/2 to 62 1/2, and Merck 1 1/2 to 66 1/2.

Other big losers on the active list included Alexander & Alexander Services, down 1 1/2 to 21 1/2; IBM, 1 1/2 to 64, and ITT, 1 1/2 to 23 1/2. IBM and ITT were both trading ex-dividend.

Penn Loan Woes Seen In '81, Continental Says

By Robert A. Bennett

New York Times Service

CHICAGO — Senior officials of Continental Illinois Corp. have acknowledged that they were aware as early as last autumn of problems with loans they had acquired from Penn Square Bank of Oklahoma City, which failed on July 5, according to a special report by the investment banking firm of Goldman, Sachs & Co.

Officials of Continental have been contending that they first learned of Penn Square's problems at the end of June, when they were contacted by the U.S. controller of the currency, the regulator of federally chartered banks.

But in the report, which was made public Wednesday and includes a transcript of an interview with three senior Continental officials, one of them said, "It should be noted that we had focused on certain problems related to Penn Square in late 1981; such problems related to loan concentrations, reporting of information and certain aspects of credit documentation."

Continental reported a loss of \$61 million in the second quarter. This reflected \$220 million added to Continental's loan-loss reserves as a result of the more than \$1 billion in energy-related loans it had purchased from Penn Square.

A Continental spokesman was asked Wednesday about the apparent contradiction between recent statements that Continental was unaware of Penn Square's problems until June 29 and statements in the Goldman Sachs interview. The spokesman replied that the problems that became evident last fall referred to the loans and not to Penn Square itself.

Yet, in April, when George R. Baker, executive vice president in charge of Continental's general

banking services, was asked by bank analysts about Continental's Penn Square loans, he replied that they all met Continental's standards and should not be a matter of concern, according to the Goldman Sachs report.

But in the interview made public Wednesday, when he was asked about his April statements, Mr. Baker replied, "I was misinformed."

In May, Mr. Baker acknowledged to Goldman Sachs that Continental was working with Penn Square on "loan documentation." Loan documentation involves paper work that gives details about particular credits. In the case of energy-related loans, for example, this would include engineering reports about the amount of proven reserves in a particular well and the credit quality of the borrower.

Asked in the interview about how Continental had been helping Penn Square in loan documentation, the officials were quoted as saying, "It was our plan to transfer as many loans as possible to a direct basis." That would have transferred the loans from Penn Square to Continental, which would have put Continental in charge of the documentation and legal procedures.

In addition to Mr. Baker, the Continental officials interviewed were Donald C. Miller, vice chairman, and David C. Taylor, executive vice president in charge of treasury operations.

The Goldman Sachs analysts asked the Continental officials why they had reassured investors in April about the energy-related loans even though the bank already knew there were problems with the Penn Square credits.

"When we gave assurances to investors, we had already taken steps to monitor and improve our situation," the Continental officials were quoted as saying. "During this period, we did not see a significant loss. However, as the facts turned out, the corrective steps we thought were being taken were progressing far slower than we thought."

They also were quoted as saying, "We became concerned about various problems late last fall. We found on June 29 that our problems relating to Penn Square were greater than we had realized."

CURRENCY RATES

Interbank exchange rates for Aug. 5, excluding bank service charges.

	1	2	3	4	5	6	7	8	9	10
Amsterdam	2.728	4.708	118.21	37.645	8.774	17.328	3.277	129.59	31.75	
Bremen (G)	47.30	81.81	19.105	8.823	3.47	17.328	3.277	129.59	31.75	
Frankfurt	2.486	4.227	35.81	1.77	90.48	3.277	129.59	31.75		
London (S)	1.738		4.265	11.873	2.787	4.495	81.22	3.336	14.08	
Madrid	1.38425	2.39940	59.51	28.95		387.46	29.20	65.21	14.90	
New York	1.371	0.4020	81.445			0.321	0.281	0.4020	0.1157	
Paris	4.888	11.891	27.33	0.4775	3.231	14.57	35.40	80.8		
Zurich	2.1775	85.38	30.57	0.1599	77.33	4.462		34.02		
1 ECU	0.8547	0.8530	2.2484	0.8191	122.57	2.644	45.070	2.011	8.702	
1 SDR	1.08745	0.8330	2.6495	1.4874	105.83	2.944	51.382	2.271	9.2575	

	1	2	3	4	5	6	7	8	9	10
Swiss	0.897	0.897	0.897	0.897	0.897	0.897	0.897	0.897	0.897	0.897
Japanese	1.011	1.011	1.011	1.011	1.011	1.011	1.011	1.011	1.011	1.011
British	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74
Belgian	35.38	35.38	35.38	35.38	35.38	35.38	35.38	35.38	35.38	35.38
Canadian	1.297	1.297	1.297	1.297	1.297	1.297	1.297	1.297	1.297	1.297
Dutch	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41
French	0.478	0.478	0.478	0.478	0.478	0.478	0.478	0.478	0.478	0.478
German	0.611	0.611	0.611	0.611	0.611	0.611	0.611	0.611	0.611	0.611
Italian	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075

Source: U.S. Treasury Dept. (1) Commercial franc; (2) Amounts needed to buy one pound; (3) Units of 100; (4) Units of 1,000.

Lilly Drug Move Will Hit Results

Compiled by Our Staff From Dispatches

INDIANAPOLIS — The decision by Eli Lilly to suspend U.S. distribution and sales of Orlaflex, an anti-inflammatory drug will reduce earnings about 15 cents a share, the company said Thursday.

Lilly earned \$1.78 a share in the first quarter of 1982 and \$4.93 for all of 1981.

Lilly decided to withdraw Orlaflex after British authorities suspended the sale of the product for 90 days, pending a review by the Committee on the Safety of Medicines. The highly unusual removal of the popular drug from the U.S. market came only three months after it was approved by the Food and Drug Administration.

It followed an afternoon of deliberations between FDA Commissioner Arthur H. Hays Jr. and officials from Lilly, in consultation with Health and Human Services Secretary Richard S. Schweiker. Consumer groups had been urging that it be banned immediately.

In a telegram to the FDA Wednesday, British authorities said that they had received reports of more than 3,500 adverse effects thought to be associated with the

drug, including 61 deaths, most of those among the elderly.

In the United States, at least 11 deaths involving liver or kidney damage have been linked with Orlaflex, according to Dr. Robert Temple, acting head of the FDA's office of new drug evaluation.

The drug is intended to reduce pain and inflammation caused by arthritis, but it has not been proved any more effective than aspirin, according to the Food and Drug Administration.

In a statement Lilly said, "After a careful review of all applicable scientific and clinical information, the company continues to believe that the drug is safe and effective when used as directed."

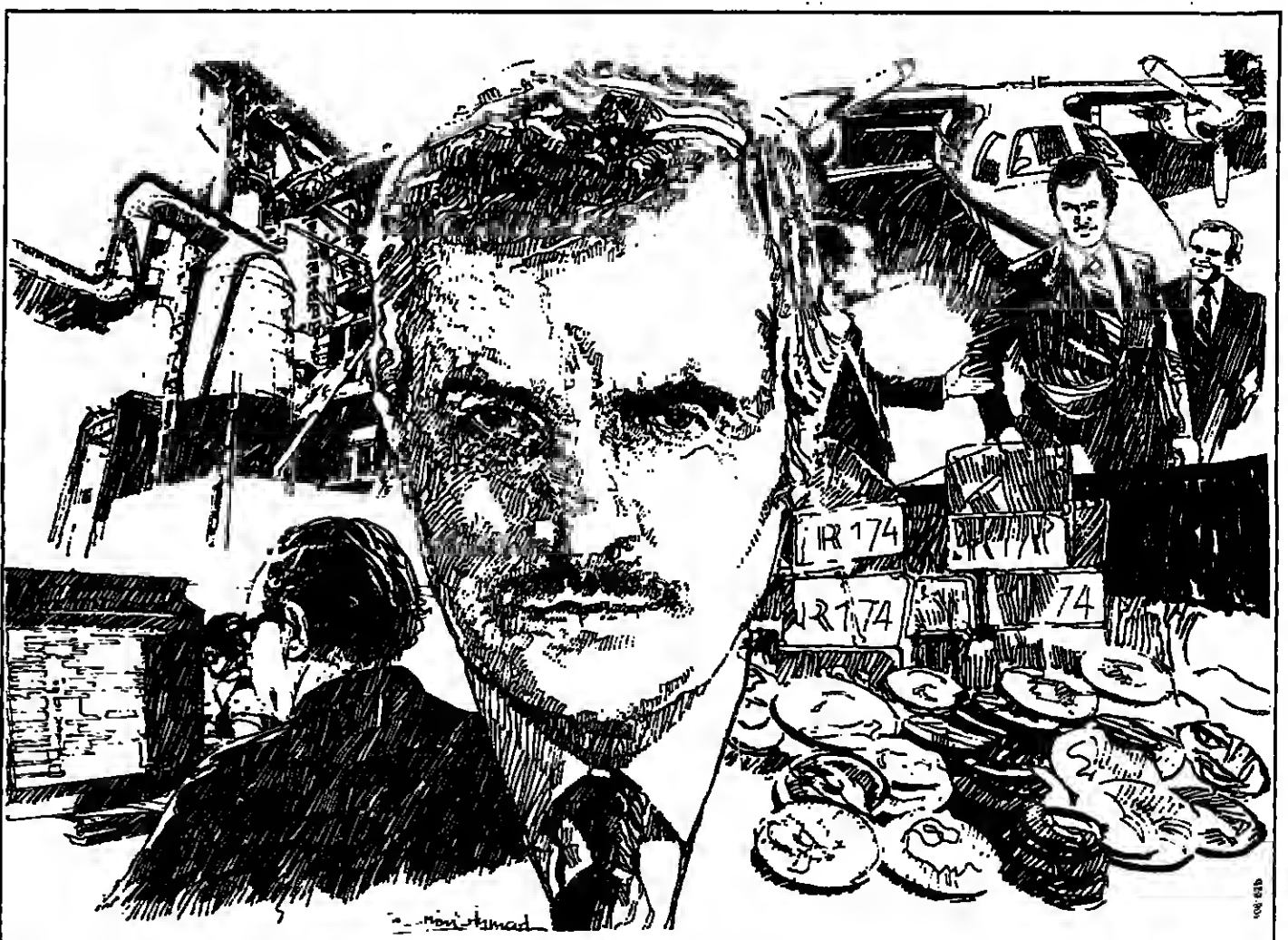
"During the last several weeks, the safety of Orlaflex has been the subject of an unprecedented public controversy in both the United States and the United Kingdom, which culminated with the action by the United Kingdom Health Ministry to suspend for 90 days the product license for the drug pending a review by the Committee on Safety of Medicines."

Dr. Sidney Wolfe, of the Health Research Group, charged Wednesday that "dozens of people have died unnecessarily from a drug

that has no unique benefits but clearly has unique risks."

He blamed the FDA for approving it in the first place and for not acting six weeks ago on his group's petition to ban it.

Orlaflex received U.S. approval amidst an intense marketing campaign that shot up the drug's sales.



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All of the banks in TDB Holding Group concentrate on the things they do best. This includes, for example, trade financing, foreign exchange, banknotes, money market transactions, precious metals and deposit accounts.

What's more, we run our back-office systems with exceptional efficiency and discretion. You may not notice this directly, but it shows up in quicker decisions and fewer errors.

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TDB Holding Group: US\$ 13.4 billion in assets; US\$ 1.1 billion in capital and loan funds employed, as of June 30, 1982.

Group banks: Geneva, London, Paris, Luxembourg, New York (Republic National Bank of New York), Athens, Buenos Aires, Chicago, George Town, Hong Kong, Los Angeles, Miami, Monte Carlo, Montevideo, Nicosia, Panama City, Ponta del Este, Santiago de Chile, Singapore, Zurich. Representative offices: Beirut, Caracas, Frankfurt, Mexico City, Rio de Janeiro, Sao Paulo, Tokyo.



Trade Development Bank

Our Monte Carlo office is located at 11, Avenue Princesse Alice, telephone 50 07 77. This office is a branch of Trade Development Bank (France) S.A., with headquarters at 21, Place Vendôme, Paris.

Thursday's AMEX Closing Prices

U.S. Futures Prices

From	To	Change	Change	12 Month
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wt	3	185	94%	94%	94%	94%
45	43	7	22	94%	94%	94%
48	12	10	54%	94%	94%	94%
50	8	3	33	94%	94%	94%
52	5	1	16	94%	94%	94%
180	0.0	0	31	24%	28%	28%
U-U-U	1	1	1	2%	2%	2%
400	48	7	4	81%	89%	92%
540	43	14	233	74%	78%	78%
560	43	12	3	154%	15	15
58	3	3	35	4	13-16	4
20	73	7	9	6	4	4-16
n154w	77	9	39	64%	64%	64%
124w	31	9	39	15%	15%	15%
3	11	9	11	10%	10%	10%
20	79	9	12	114%	12	12
3	3	9	9	64%	64%	64%

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National Herald Tribune
We've got news for you.

MANY REPORTS
Daily, in millions, are in local currencies
as otherwise indicated.

United States

	1993	1992	1991
Revenue	\$1,000	\$975	\$945
Profit	\$250	\$240	\$230
Operating Profit	\$250	\$240	\$230
Net Income	\$250	\$240	\$230

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BUSINESS BRIEFS

Baldridge Says EEC Steel Pact Close

WASHINGTON — U.S. Commerce Secretary Malcolm Baldridge said Thursday he hoped to reach agreement by Friday with European Economic Community negotiators on a deal to limit Western European steel shipments to the United States.

Since Tuesday, Mr. Baldridge and his top aides have been meeting a delegation led by the community's industry commissioner, Etienne Davignon, in an effort to end a bitter dispute that has threatened to grow into a full-scale trade war. According to Mr. Baldridge, the major stumbling blocks are a timetable for implementing the agreement and determination of what products would be covered.

The two sides hope to avert imposition of steep U.S. penalty duties on European carbon steel products. The commerce department has said in a preliminary ruling on unfair trade complaints filed by seven U.S. steel companies that the exports from several community member countries were subsidized illegally.

Britoil Plans to Exploit New Field

LONDON — Britoil, the British state-owned oil exploration and production business, expects very shortly to forward a \$550 million (\$549.6 million) plan to exploit the Clyde field in the North Sea for approval by the British Energy Department, a Britoil spokesman said Thursday.

Britoil was formally established this week to take over the exploration and production activities and assets of the British National Oil Corp.

Toyota to Reduce Planned Spending

TOKYO — Toyota said Thursday it will reduce planned spending on plant and equipment below the originally scheduled 260 billion yen (\$1 billion) for the financial year ending December.

It declined to disclose the size of the reduction but said the decision was made in the light of sluggish domestic and export demand for vehicles. It said it will not cut its 116-billion-yen research and development program.

Big U.S. Stores Report Slow Sales

NEW YORK — Several large retailers, including Sears, Roebuck, reported Thursday that sales were sluggish in July, a month analysts had hoped would be marked by better business because of cuts in federal income taxes and increases in Social Security payments.

Sears, the largest general-merchandise retailer, said July sales inched up 0.8 percent. K. Mart sales rose 4.4 percent compared with the same month in 1981, barely keeping pace with inflation in the retail industry. F.W. Woolworth sales tumbled 0.5 percent.

Compiled From Agency Dispatches

U.S. Trimmed Trade Deficit To \$5.1 Billion in Quarter

WASHINGTON — The U.S. merchandise trade deficit narrowed to \$5.1 billion in the second quarter, mostly because of a decline in oil imports, the Commerce Department reported Thursday.

The latest deficit, down from \$6.1 billion in the first quarter, put the gap for the first half at \$11.2 billion, less than half the \$27.9 billion for all of last year. But government officials and private analysts expect that a U.S. recovery from the recession during the second half is likely to mean higher deficits. The relatively low deficits so far this year have been at least partly due to weakness in the U.S. economy.

Thursday's report echoed last week's Commerce Department trade figures, computed on a slightly different basis. The earlier figures, with shipping expenses computed in a less favorable way, showed a first half deficit of \$16 billion, also less than half the \$37.9 billion for all of last year.

The new report said total imports dropped about 2 percent to \$60.7 billion in the first quarter, while exports were nearly unchanged at \$55.6 billion. The drop in imports "was in large part due to the U.S. recession," the report said.

Oil imports totaled \$13.4 billion, down 14 percent from the first quarter and the lowest in three years. "Recession, conservation and the use of alternate fuels reduced imports," the report said.

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Alfa Tells Bankers It Must Delay More Interest Payments

New York Times Service

NEW YORK — Grupo Industrial Alfa has said it will have to postpone about \$140 million in interest payments on more than half of its nearly \$2.4 billion in debt.

About 65 percent to 70 percent of the debt is held by U.S. banks, according to Erik Jurgensen, Alfa's director of financial transactions, who met here Wednesday with representatives of the Mexican conglomerate's 134 creditors. About 10 percent is held by Mexican banks, and the rest is held by European and Japanese banks, Mr. Jurgensen said.

Alfa, which stopped repaying principal on its debt in April, said it continues to suffer "liquidity problems." It presented its decision to suspend some interest payments as part of an interim program to steady the company until the end of 1982 while it seeks more permanent solutions to its financial problems.

Alfa, which has interests in steel, petrochemicals, tourism, food processing and consumer goods, said its various subsidiaries will spend the next five months meeting with creditors in renegotiate loan agreements.

The Mexican government also will become involved in Alfa's rescue effort and has "indicated a willingness to participate constructively," the company said in a statement after its meeting with creditors.

The meeting was organized by the investment banking firm of Lehman Brothers Kuhn Loeb Inc., which is acting as a financial adviser to Alfa. A representative of the Mexican government spoke after Rafael Paez, the company's chief executive officer, and two other Alfa executives made their presentation and left the room.

Alfa had last met with its creditors in Houston on April 30. At that time, the creditors formed a 23-bank steering committee led by Chase Manhattan to oversee the collection of debts from the about 40 different Alfa groups believed to owe money.

Chase Manhattan, Chemical, Mellon and Bank of America are among the foreign institutions owed \$900 million by Hylsa, Alfa's relatively prosperous steel subsidiary.

To raise cash and reduce debts, Alfa said Wednesday that it will consider selling some of its companies — but not Hylsa — and exchanging equity for its loans outstanding.

Alfa indicated, however, that it would keep 100 percent of the steel subsidiary because "Hylsa's dividends are expected to provide in the future the primary source of income required to serve the debt at the holding company level," Alfa's statement said.

The company also indicated that it would begin running its businesses as separate units. Creditors have complained that Alfa was siphoning cash from its healthy subsidiaries into ailing ones.

"Transactions between business units will be limited to ordinary commercial transactions, the payment of corporate overhead and certain other limited transactions," Alfa's statement said.

Under the program presented to creditors, Alfa said that it would continue paying full interest on money lent to its petrochemical companies, estimated at \$225 million. However, Alfa said that it would pay only half the interest on the estimated \$900 million owed by Hylsa and its subsidiaries.

CENTRAL ASSETS CURRENCY FUNDS LTD.	
Prices as at 6.8.82	
U.S. \$.....	10.49
£ Sterling.....	10.63
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Sfr. France.....	4.36
Fr. France.....	107.14
SDR's.....	261.58

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Small U.K. Firms Try to Sell U.S. on Videotex

(Continued from Page 11)

as a selling point for personal computers. Videotex will blend into other office automation products, becoming just another layer, Mr. Plakias predicts.

Tim Chapman, a senior consultant at Butler Cox & Partners Ltd. of London, says videotex may lose its identity. But whatever the technology is called, he says, "there's so much scope there that it will be utilized."

Other analysts ask why big U.S. companies with computer systems doing many of the things videotex does should be interested in that rather crude technology.

"Because," Mr. Aldrich retorts, "it's there and nobody's come up with anything better."

The Rediffusion executive, who relishes the Jamaican cigars he buys duty-free on his overseas trips, plans to spend about a third of his time in the United States over the next year making that argument. Videotex has a place in office automation, Mr. Aldrich says, because it is cheap, versatile and easy to use.

Videotex sellers like to talk about "user-friendliness" and simple "human interfaces." In other words, they say, videotex does not scare people who are terrified of computers.

"People don't regard it as a computer system," says Richard Clark, managing director of Computex Systems Ltd., a 12-employee supplier of videotex and other software that operates out of a shared basement office in London.

"If you like," he adds, "it's a television system."

The chummy programs chat up the user, prompting him so that he does not have to remember complex codes. Thus, someone who deals with computers only occasionally can fetch information

without fetching a technician. And the executive who disdains word processors as secretarial can view the videotex terminal as a friendly desktop aid. (Whether executives will take to sending orders over a videotex network rather than barking them at secretaries is hard to predict, some videotex sellers acknowledge.)

Biggest U.K. Uses

In Britain, the biggest videotex sales have been to travel agents and car dealers. Travel agents use it to their offices into continuously updated airline and hotel information. Automakers use it to communicate with their dealers and quickly find out where a certain model can be found.

BL Ltd. and Talbot Motor Co. have installed systems, and Mr. Aldrich says almost all auto dealers in Britain will be using videotex within a year. Already, he says, two-thirds of all British travel agencies use videotex. Such applications, he predicts, "will spread

like a rash" in other countries. Suppliers also see big possibilities at insurance companies, retailers and others that need to communicate with far-flung agents, salesmen and customers.

Within companies that already have computer networks, videotex could be blended in to serve employees who tap the computer only infrequently, to draw information from such services as Prestel and to communicate with computers outside the company.

Mr. Aldrich sees a "potentially enormous" role for videotex in "computer-assisted" employee training.

Rediffusion last autumn received an £8-million order — its biggest yet — from the Soviet Union, which plans to use it to keep track of maintenance needs on the Siberian gas pipeline.

So far, the suppliers are longer on enthusiasm than earnings. Mr. Aldrich says videotex sales already have paid for the \$1.5 million or so Rediffusion put into developing its system, which it markets as a special feature of its minicomputers.

He says that profit so far is meager but that within a couple of years the company expects to be pulling in a 20-percent to 30-percent return on assets deployed.

Aregon, started in 1979 with funds from Britain's National Enterprise Board, last year had a loss of about £700,000 on turnover of £5 million, Mr. Pearce says. He says the company, which provides videotex and data-base management software, expected to lose

money for several years but adds, "We're now set for considerable growth."

Alan Pratt, videotex products manager for IBM in Europe, says it is hard to predict the size of the market but insists that videotex will be more than "a pimple on the established computer market."

Because it is hard to know where the big payoffs will come, Mr. Pearce says, Argon is pursuing sales in both business and residential videotex.

Mr. Aldrich also acknowledges that he cannot say for sure where videotex is headed. For now, he says, Rediffusion is just "riding the tide of the market" and listening to customers to find out "what they want to do with it."

Even videotex suppliers are unsure about that. A secretary at one supplier's head office says she can check her boss's schedule by calling it up on her terminal. But when she is in a hurry, she reaches for her old paper diary.

Loyally, she expects that to change soon.

Gold Markets

	A.M.	P.M.	Aug. 5
Hong Kong	351.43	351.85	+4.98
London	351.50	351.85	+2.10
Paris (12.15)	351.71	352.56	+2.10
Zurich	351.88	352.65	+4.98
London	352.51	352.65	+4.98
New York	348.25	348.25	+4.98

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The issue carries warrants for an additional \$200 million worth of bonds. Each bond includes two warrants with a three-year life, entitling investors to purchase 13 1/2 percent noncallable bonds due in 1987.

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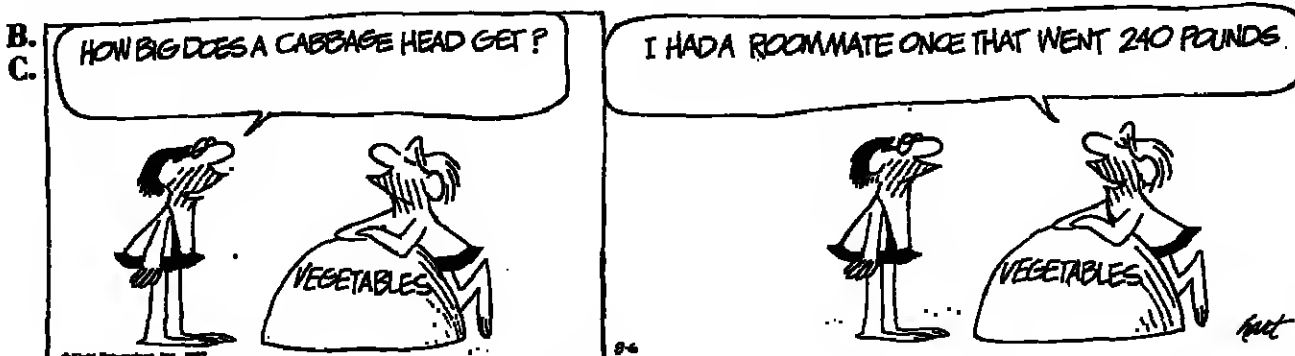
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**B.
C.**



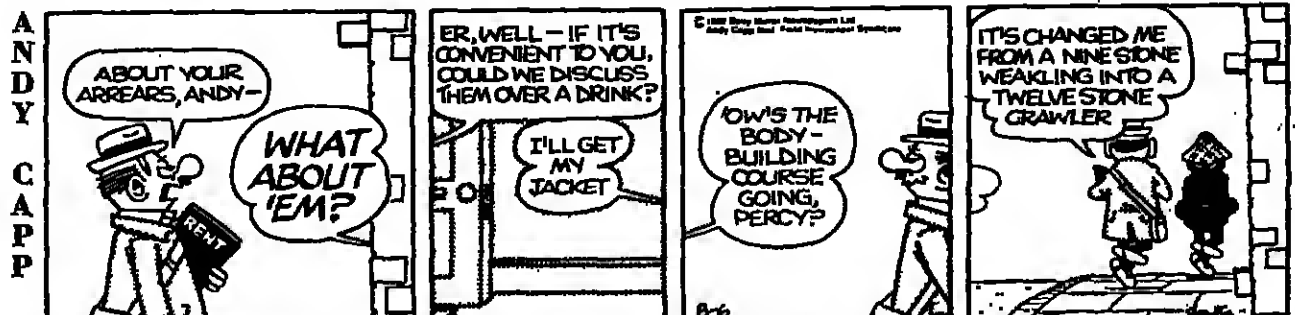
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ACROSS

1 Gambrel
5 Transports
10 Mineral
14 Sigerall
15 Headiness for a debutante
16 Laugh, in Lyon
17 Jai —
18 Actress
Samantha
19 "There!"
20 Actor joins up with novelist
23 Hardy heroine
24 Alleys for Earl
Anthony
25 Ecarte and
euchre
28 "There and cob
31 Nature
substances
32 Piece of china
34 — relief
37 Singer
approaches
N.Y.C.
midtown oasis
41 Site of Jews' last stand against Romans: A.D. 72-73
42 Lamb
43 Temptress
44 Lullaby
45 Kins of the Senecas
46 N.C. county

50	Film "rebel" teams up with	21	Word of assent
	roast host	22	Rested
57	Author Bagnold	25	Urge on
58	Bone: Prefix	26	"Judith" composer
59	Stack	27	German possessive
60	Recent, in geological terms	28	Guide at Uxmal
61	Weasel of a sort	29	Type of sch.
62	Sector	30	Kind of moth
63	— off (irate)	32	Shi lift
64	Zola's "La	33	Old language
		34	Tava neighbor
65	Where curls curl up	35	Seed covering
		36	Three-handed card game
		38	Astray
		39	Tinker Bell's protector
		43	Planted
		44	Cry of cognition
1	— between the lines	45	Throw off
2	Earthquake not	46	Punjab princess
3	Buck heroine	47	Ammonia compound
4	"I haven't the — ideal"	48	Close, to Cowper
5	Editors' marks	49	Struck sharply
6	Top levels	51	Biblical verb
7	Plummer role	52	East wind, to
8	Small, flat-bottomed boat	53	Suffix with liquid
9	A Roosevelt	54	Fatigue
10	Odors	55	Setine sights
11	Parlor piece	56	Straight, as a drink
12	"Good Night" girl of songdom		
13	Atlantic birds		

[illegible][illegible]

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

TOIDI

□ □ □ □ □ □ □ □

DEWEG

□ □ □ □ □ □ □ □

RORTER

□ □ □ □ □ □ □ □

COLUSH

□ □ □ □ □ □ □ □

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(Answers tomorrow)

Yesterday's Jumbles: VENOM · CURRY PAUPER FELONY
Answer: How to make varnish disappear—
REMOVE THE R

3-6

*DID YOU COME OVER TO IDENTIFY A FLYING OBJECT?

By Alan Truscot

SOME of the pairs that bid aggressively to slam on the diagrammed deal, made it with some help from the defense. Hardly any found the right path if the defense was accurate.

After a four-spade opening from South, a reasonable move at favorable vulnerability, most North players passed. But some cue-bid five clubs and carried on to six spades as shown when South indicated possession of the diamond ace.

The lead was the club king, the only one to present any real difficulty to the declarer. South won in dummy, and could see the danger of a club ruff.

Drawing trumps was likely to leave the declarer a trick short. A play that worked at some tables was to lead a heart immediately from the dummy. If East erred by playing the ace South could ruff, draw trumps and eventually ruff a diamond in the dummy.

But this play depended on an error by the opposition. A better play, and not at all obvious, was to lead a low diamond at the second trick and play the nine from the closed hand. This offered the best chance of losing a diamond trick to West, preparing the way for ruffs in dummy without permitting the defense a club ruff.

tion there was no counter to this play, and it was likely to work if East held K-10 of diamonds, for the key play of the ten would not be obvious. An alternative, not quite so good, is to lead the diamond queen from dummy. This succeeds as the cards lie, for East covers with the king, as he would, South wins and leads the nine, again avoiding the menacing club ruff.

NORTH

♠AQ2
♥KJ8
♦Q8
♣AQ342

WEST

♠74
♥Q18653
♦J1875
♣K

♠10
♥A742
♦K4
♣J9863

SOUTH (DD)

♠KJ98653
♥—
♦A932
♣107

East and West were vulnerable. This bidding:

South	West	North	East
4♠	Pass	5♣	Pass
5♣	Pass	5♣	Pass
Pass	Pass		

By Alan Truscot

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♥KJ8
♦Q8
♣AQ342

WEST

♠74
♥Q18653
♦J1875
♣K

♠10
♥A742
♦K4
♣J9863

SOUTH (DD)

♠KJ98653
♥—
♦A932
♣107

East and West were vulnerable. This
hiding:

South	West	North	East
4♣	Pass	5♣	Pass
5♣	Pass	6♣	Pass
Pass	Pass		

